

**GATES COUNTY  
NORTH CAROLINA**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

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NORTH CAROLINA**

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**FOR THE YEAR ENDED JUNE 30, 2010**

**FINANCE DIRECTOR: SANDY PITTMAN**

# **GATES COUNTY, NORTH CAROLINA**

## **LIST OF PRINCIPAL OFFICIALS**

**JUNE 30, 2010**

### **Board of Commissioners**

Graham L. Twine, Jr., Chairman  
Ken Jernigan, Vice-Chairman  
Wade H. Askew, Commissioner  
Henry L. Jordan, Commissioner  
E. Carlton Nickens, Commissioner

### **Principal Officials**

Toby L. Chappell, County Manager  
Sandy Pittman, Finance Officer

# GATES COUNTY, NORTH CAROLINA

## BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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# GATES COUNTY, NORTH CAROLINA

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# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Gates County, North Carolina

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 Gates County, North Carolina, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gates County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Gates County ABC Board. Those financial statements were audited by another auditor whose report thereon has been furnished to us; and our opinion on the financial statement, insofar as it relates to the amounts included for the Gates County ABC Board, is based solely on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the Gates County ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gates County, North Carolina, as of June 30, 2010, 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2010 on our consideration of Gates County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit prepared in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Other-Post Employment Benefits-Retiree Health Plan Required Supplementary Information are not required parts of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Gates County, North Carolina taken as a whole. The combined and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combined and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
November 29, 2010

## Management's Discussion and Analysis

As management of Gates County, we offer readers of Gates County's financial statements this narrative overview and analysis of the financial activities of Gates County for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

### Financial Highlights

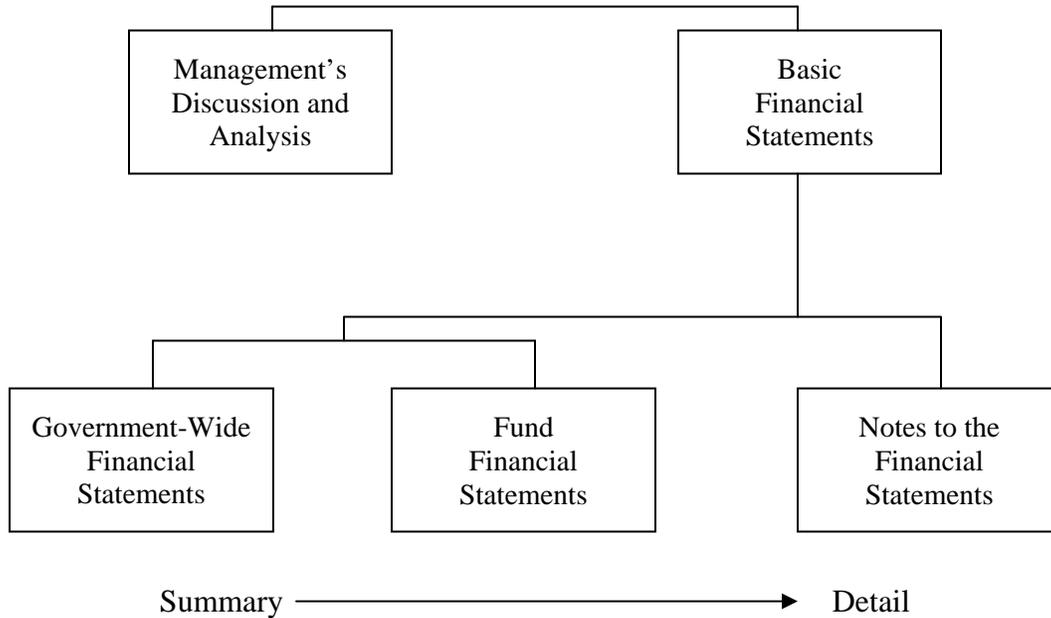
- The assets of Gates County exceeded its liabilities at the close of the fiscal year by \$4,516,750 (*net assets*).
- The County's total net assets decreased by \$1,299,738. The decrease was due in part to \$2,174,328 in education capital expenses for a building owned by Gates County Board of Education.
- As of the close of the current fiscal year, Gates County's total governmental funds reported combined ending fund balances of \$3,284,126, a decrease of \$2,342,010 from 2009. As discussed above, the decrease was due primarily to school capital project expenditures.
- At the end of the current fiscal year, total fund balance for the General Fund was \$2,907,848, a decrease of \$14,390 from 2009.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Gates County's basic financial statements. Gates County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (Figure 1). The basic financial statements present two different views of the County 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 Gates County.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information concerning the County's financial status.

The next statements (Exhibits C through J) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government, providing 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 and agency fund statements.

The final section of the basic financial statements is the **Notes to the Financial Statements**. The notes to the financial statements offer a detailed explanation about various information contained in the statements. Following the notes, **supplemental information** provides details of the County's nonmajor governmental funds, all of which are combined in one column on the basic financial statements. Budgetary information required by the North Carolina General Statutes can also be found in this part of the statements.

## **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of Gates County's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Gates County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused, vacation leave).

Both of the government-wide financial statements distinguish functions of Gates County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Gates County include general governmental, public safety, economic and physical development, human services, culture and recreation, and education. The business-type activities of Gates County are the solid waste (landfill) operations and the Water Fund.

The government-wide financial statements include not only Gates County itself (known as the primary government), but also the Gates County ABC Board for which Gates County is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on Exhibits A and B of this report.

## **Fund Financial Statements**

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. Gates County, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of Gates County 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 County'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 current financial resources 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 County's programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Gates County 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 County, the management of the County, and the decisions of the Board of Commissioners about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County 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 final budget as amended by the Board; 2) the actual resources, charges to appropriations, and ending balances in the General Fund; 3) the difference or variance between the final budget and the actual resources and charges; and 4) the comparative prior year actuals. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Funds.** Gates County maintains one type of proprietary fund: Enterprise Fund. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. Gates County uses an enterprise fund to account for its solid waste operations and water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for solid waste and water operations.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Gates County has eight agency funds.

**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 follow Exhibit J of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Gates County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information immediately follows the notes to the financial statements.

## Government-Wide Financial Analysis

### Gates County's Net Assets

Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Assets:</b>						
Current and other assets	\$ 4,017,546	\$ 7,003,504	\$ 2,383,105	\$ 2,040,111	\$ 6,400,651	\$ 9,043,615
Capital assets	<u>3,888,129</u>	<u>3,507,345</u>	<u>5,119,166</u>	<u>5,295,619</u>	<u>9,007,295</u>	<u>8,802,964</u>
Total assets	<u>7,905,675</u>	<u>10,510,849</u>	<u>7,502,271</u>	<u>7,335,730</u>	<u>15,407,946</u>	<u>17,846,579</u>
<b>Liabilities:</b>						
Current liabilities	1,291,405	1,808,608	258,299	239,021	1,549,704	2,047,629
Other liabilities	<u>8,464,134</u>	<u>8,993,472</u>	<u>877,358</u>	<u>988,990</u>	<u>9,341,492</u>	<u>9,982,462</u>
Total liabilities	<u>9,755,539</u>	<u>10,802,080</u>	<u>1,135,657</u>	<u>1,228,011</u>	<u>10,891,196</u>	<u>12,030,091</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	2,044,384	1,624,112	4,141,480	4,180,997	6,185,864	5,805,109
Unrestricted	<u>(3,894,248)</u>	<u>(1,915,343)</u>	<u>2,225,134</u>	<u>1,926,722</u>	<u>(1,669,114)</u>	<u>11,379</u>
Total net assets	<u>\$ (1,849,864)</u>	<u>\$ (291,231)</u>	<u>\$ 6,366,614</u>	<u>\$ 6,107,719</u>	<u>\$ 4,516,750</u>	<u>\$ 5,816,488</u>

As noted earlier, net assets, over time, may serve as a useful indicator of a government's financial position. For Gates County, assets exceeded liabilities by \$4,516,750 at the close of the most recent fiscal year.

By far, the largest portion of Gates County's net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. Gates County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Gates County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to repay these liabilities.

At the end of the current fiscal year, Gates County is reporting deficit unrestricted net assets in the amount of \$1,669,114 for the government as a whole. It should be noted that the County is carrying roughly \$7 million in debt related to schools. Schools are not recorded as assets on the County's books; they are recorded as assets by the Board of Education.

## Gates County's Changes in Net Assets

### Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,615,272	\$ 1,767,670	\$ 1,770,703	\$ 1,690,948	\$ 3,385,975	\$ 3,458,618
Operating grants and contributions	711,579	364,505	-	-	711,579	364,505
Capital grants and contributions	341,429	454,152	11,644	-	353,073	454,152
General revenues:						
Property taxes	5,899,915	5,431,786	-	-	5,899,915	5,431,786
Local option sales tax	1,571,808	2,028,147	-	-	-	-
Other taxes	454,055	508,569	-	-	454,055	508,569
Investment earnings	13,549	78,739	9,224	14,126	22,773	92,865
Total revenues	10,607,607	10,633,568	1,791,571	1,705,074	10,827,370	10,310,495
<b>Expenses:</b>						
General government	1,364,493	1,335,131	-	-	1,364,493	1,335,131
Public safety	2,010,917	1,719,984	-	-	2,010,917	1,719,984
Economic and physical development	1,347,641	1,120,424	-	-	1,347,641	1,120,424
Human services	1,933,340	2,087,197	-	-	1,933,340	2,087,197
Cultural and recreation	324,775	928,412	-	-	324,775	928,412
Education	4,805,408	5,809,497	-	-	4,805,408	5,809,497
Interest on long-term debt	379,666	414,559	-	-	379,666	414,559
Water and sewer	-	-	706,469	857,476	706,469	857,476
Landfill	-	-	826,207	742,716	826,207	742,716
Total expenses	12,166,240	13,415,204	1,532,676	1,600,192	13,698,916	15,015,396
Change in net assets	(1,558,633)	(2,781,636)	258,895	104,882	(1,299,738)	(2,676,754)
<b>Net Assets:</b>						
Beginning of year - July 1	(927,905)	1,853,731	6,107,719	6,002,837	5,179,814	7,856,568
Prior period adjustment	636,674	-	-	-	636,674	-
Beginning of year - July 1, as restated	(291,231)	1,853,731	6,107,719	6,002,837	5,816,488	7,856,568
End of year - June 30	\$ (1,849,864)	\$ (927,905)	\$ 6,366,614	\$ 6,107,719	\$ 4,516,750	\$ 5,179,814

**Governmental Activities.** Governmental activities decreased the County's net assets by \$1,558,633. Key elements of this decrease are as follows:

- Expenditures of \$2,174,328 in the School Construction Capital Project Fund for a building owned by Gates County Board of Education.
- Expenditures of \$187,012 related to the Community Center Project Fund. The revenues for this project were received in 2008.
- General Fund revenues exceeded expenditures by \$68,469 before transfers, and were \$14,390 less than expenditures after transfers to other funds.

**Business-Type Activities.** Business-type activities increased Gates County's net assets by \$258,895. Fees in total increased over the prior year while operating expenses were down.

### **Financial Analysis of the County's Funds**

As noted earlier, Gates County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of Gates County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Gates County's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Gates County's governmental funds reported combined ending fund balances of \$3,284,126, a decrease of \$2,342,010 in comparison with 2009. The decrease is attributed primarily to school capital project expenditures in the current year along with other community center capital project expenditures, whose revenues were added to fund balance in 2008.

The General Fund is the principal operating fund of Gates County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,393,830, while total fund balance for the General Fund reached \$2,907,848. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 24 percent of total General Fund expenditures, while total fund balance represents 29 percent of that same amount.

#### **General Fund Budgetary Highlights.**

During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into 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. Total amendments to the General Fund increased revenues by approximately \$800,000. The majority of this increase was attributable to conservatism in estimating local option sales taxes and restricted intergovernmental revenues.

**Proprietary Funds.** Gates County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets at June 30, 2010 were \$217,792 and \$2,007,342 for the Landfill Fund and the Water Fund, respectively.

## Capital Asset and Debt Administration

**Capital Assets.** The County reported capital assets for its governmental and business-type activities of \$9,007,295 (net of accumulated depreciation) as of June 30, 2010. These assets include land buildings, other improvements, equipment, vehicles, and plant and systems.

### Gates County's Capital Assets

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 290,237	\$ 290,237	\$ 27,476	\$ 27,476	\$ 317,713	\$ 317,713
Construction in progress	823,686	636,674	20,000	-	843,686	636,674
Buildings	3,315,375	3,315,375	-	-	3,315,375	3,315,375
Other improvements	57,585	57,585	-	-	57,585	57,585
Equipment	733,682	200,691	421,798	394,186	1,155,480	594,877
Vehicles	833,515	931,917	150,672	164,960	984,187	1,096,877
Plant and systems	-	-	9,072,354	9,072,354	9,072,354	9,072,354
Subtotal	<u>6,054,080</u>	<u>5,432,479</u>	<u>9,692,300</u>	<u>9,658,976</u>	<u>15,746,380</u>	<u>15,091,455</u>
Less accumulated depreciation	<u>(2,165,951)</u>	<u>(1,925,134)</u>	<u>(4,573,134)</u>	<u>(4,363,357)</u>	<u>(6,739,085)</u>	<u>(6,288,491)</u>
Total	<u>\$ 3,888,129</u>	<u>\$ 3,507,345</u>	<u>\$ 5,119,166</u>	<u>\$ 5,295,619</u>	<u>\$ 9,007,295</u>	<u>\$ 8,802,964</u>

Additional information on Gates County's capital assets can be found in the notes to the financial statements.

**Long-Term Debt.** At the end of the current fiscal year, Gates County had no bonded debt outstanding.

### Gates County's Long-Term Debt

Figure 5

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Notes payable	\$ 8,877,035	\$ 9,832,417	\$ 977,686	\$ 1,114,622	\$ 9,854,721	\$ 10,947,039
Compensated absences	248,685	155,249	21,176	15,074		
OPEB	375,114	-	27,560	-	402,674	-
Total	<u>\$ 9,500,834</u>	<u>\$ 9,987,666</u>	<u>\$ 1,026,422</u>	<u>\$ 1,129,696</u>	<u>\$ 10,257,395</u>	<u>\$ 10,947,039</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Gates County is \$74,264,846.

More detailed information on Gates County's long-term debt and capital asset activity can be found in the notes to the financial statements.

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

- Gates County is continuing to make progress in bringing businesses to the Core Area of the County. During FY 2009-2010 six businesses have committed to entering the Merchant's Commerce Center.
- Gates County has and is continuing to acquire grant funding to renovate and expand the wastewater treatment capacity in the Core Area.
- The unemployment rate for Gates County is 6.6% as of September 2010. This compares favorably to the State's average unemployment rate of 9.6% during the same time frame.
- The property tax rate from FY 2009-2010 was continued, unchanged at 64 cents per \$100, for FY 2010-2011.

All of these factors were considered in preparing Gates County's budget for the 2010-2011 fiscal year.

## **Budget Highlights for the Fiscal Year Ending June 30, 2011**

**Governmental Activities.** During FY 2009-2010 the annual property tax base growth has been anemic less than 1%. This lack of growth is projected to continue into FY 2010-2011.

## **Requests for Information**

This financial report is designed to provide a general overview of Gates County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be directed to the Finance Officer or County Manager, Gates County, 200 Court Street, Gatesville, North Carolina 27938.

## GATES COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS  
JUNE 30, 2010

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Gates County ABC Board
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,967,796	\$ 2,053,715	\$ 5,021,511	\$ 70,066
Taxes receivable, net	478,715	-	478,715	-
Accounts receivable, net	10,171	307,113	317,284	-
Due from other governments	560,864	2,650	563,514	-
Inventory	-	19,627	19,627	87,153
Prepaid items	-	-	-	715
Capital assets:				
Non-depreciable capital assets	1,113,923	47,476	1,161,399	-
Depreciable capital assets, net	<u>2,774,206</u>	<u>5,071,690</u>	<u>7,845,896</u>	<u>359,042</u>
Total assets	<u>7,905,675</u>	<u>7,502,271</u>	<u>15,407,946</u>	<u>516,976</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	219,149	109,235	328,384	35,106
Unearned revenue	35,556	-	35,556	-
Long-term liabilities:				
Due within one year	1,036,700	149,064	1,185,764	-
Due in more than one year	<u>8,464,134</u>	<u>877,358</u>	<u>9,341,492</u>	<u>-</u>
Total liabilities	<u>9,755,539</u>	<u>1,135,657</u>	<u>10,891,196</u>	<u>35,106</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	2,044,384	4,141,480	6,185,864	359,042
Restricted:				
Capital improvements	-	-	-	35,000
Working capital	-	-	-	10,534
Unrestricted (deficit)	<u>(3,794,248)</u>	<u>2,225,134</u>	<u>(1,569,114)</u>	<u>77,294</u>
Total net assets	<u>\$ (1,749,864)</u>	<u>\$ 6,366,614</u>	<u>\$ 4,616,750</u>	<u>\$ 481,870</u>

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

**GATES COUNTY, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 1,364,493	\$ 190,523	\$ -	\$ -
Public safety	2,010,917	93,078	-	-
Economic and physical development	1,347,641	23,188	404,650	103,900
Human services	1,933,340	1,308,483	300,024	-
Cultural and recreational	324,775	-	6,905	-
Education	4,805,407	-	-	237,529
Interest on long-term debt	379,666	-	-	-
Total governmental activities	<u>12,166,240</u>	<u>1,615,272</u>	<u>711,579</u>	<u>341,429</u>
<b>Business-Type Activities:</b>				
Landfill Fund	706,469	837,126	-	-
Water and Sewer Fund	<u>826,207</u>	<u>933,577</u>	-	<u>11,644</u>
Total business-type activities	<u>1,532,676</u>	<u>1,770,703</u>	-	<u>11,644</u>
Total primary government	<u>\$ 13,698,916</u>	<u>\$ 3,385,975</u>	<u>\$ 711,579</u>	<u>\$ 353,073</u>
<b>Component Unit:</b>				
ABC Board	<u>\$ 378,189</u>	<u>\$ 351,773</u>	<u>\$ -</u>	<u>\$ 228,093</u>

**General Revenues:**

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Investment earnings, unrestricted

Total general revenues

Change in net assets

**Net Assets:**

Beginning of year - July 1

Prior period adjustment

Beginning of year - July 1, as restated

End of year - June 30

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

**Exhibit B**

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Gates County ABC Board</b>
\$ (1,173,970)	\$ -	\$ (1,173,970)	
(1,917,839)	-	(1,917,839)	
(815,903)	-	(815,903)	
(324,833)	-	(324,833)	
(317,870)	-	(317,870)	
(4,567,878)	-	(4,567,878)	
(379,666)	-	(379,666)	
<u>(9,497,960)</u>	<u>-</u>	<u>(9,497,960)</u>	
-	130,657	130,657	
<u>-</u>	<u>119,014</u>	<u>119,014</u>	
-	249,671	249,671	
<u>(9,497,960)</u>	<u>249,671</u>	<u>(9,248,289)</u>	
			<u>\$ 201,677</u>
5,899,915	-	5,899,915	-
1,571,808	-	1,571,808	-
454,055	-	454,055	-
13,549	9,224	22,773	261
<u>8,039,327</u>	<u>9,224</u>	<u>8,048,551</u>	<u>261</u>
<u>(1,458,633)</u>	<u>258,895</u>	<u>(1,199,738)</u>	<u>201,938</u>
(927,905)	6,107,719	5,179,814	279,932
<u>636,674</u>	<u>-</u>	<u>636,674</u>	<u>-</u>
<u>(291,231)</u>	<u>6,107,719</u>	<u>5,816,488</u>	<u>279,932</u>
<u>\$ (1,749,864)</u>	<u>\$ 6,366,614</u>	<u>\$ 4,616,750</u>	<u>\$ 481,870</u>

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

**GATES COUNTY, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	<u>General Fund</u>	<u>School Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,594,249	\$ 9,874	\$ 363,673	\$ 2,967,796
Taxes receivable, net	478,715	-	-	478,715
Accounts receivable, net	10,085	-	86	10,171
Due from other governments	494,213	42,380	24,271	560,864
Due from other funds	9,720	-	-	9,720
Total assets	<u>\$ 3,586,982</u>	<u>\$ 52,254</u>	<u>\$ 388,030</u>	<u>\$ 4,027,266</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 164,863	\$ 37,370	\$ 16,916	\$ 219,149
Due to other funds	-	-	9,720	9,720
Deferred revenue	<u>514,271</u>	<u>-</u>	<u>-</u>	<u>514,271</u>
Total liabilities	<u>679,134</u>	<u>37,370</u>	<u>26,636</u>	<u>743,140</u>
<b>Fund Balances:</b>				
Reserved by State statute	514,018	-	14,630	528,648
Unreserved	2,293,830	-	-	2,293,830
Unreserved, reported in:				
Special revenue funds	-	-	346,764	346,764
Capital projects funds	<u>-</u>	<u>14,884</u>	<u>-</u>	<u>14,884</u>
Total fund balances	<u>2,807,848</u>	<u>14,884</u>	<u>361,394</u>	<u>3,184,126</u>
Total liabilities and fund balances	<u>\$ 3,486,982</u>	<u>\$ 52,254</u>	<u>\$ 388,030</u>	

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

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	3,888,129
Deferred revenues in the governmental funds are used to offset accounts receivable not expected to be available within 60 days of year-end. These receivables are a component of net assets in the Statement of Net Assets.	478,715
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(9,500,834)</u>
Net assets of governmental activities, per Exhibit A	<u>\$ (1,949,864)</u>

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

## GATES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>School Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 5,984,155	\$ -	\$ -	\$ 5,984,155
Local option sales taxes	1,571,808	-	-	1,571,808
Other taxes and licenses	30,300	-	392,870	423,170
Unrestricted intergovernmental revenues	30,885	-	-	30,885
Restricted intergovernmental revenues	2,043,995	-	339,744	2,383,739
Permits and fees	110,589	-	-	110,589
Sales and services	144,476	-	-	144,476
Investment earnings	10,153	1,223	2,173	13,549
Miscellaneous	29,474	-	-	29,474
Total revenues	<u>9,955,835</u>	<u>1,223</u>	<u>734,787</u>	<u>10,691,845</u>
<b>Expenditures:</b>				
Current:				
General government	1,342,536	-	33,600	1,376,136
Public safety	1,561,623	-	486,873	2,048,496
Economic and physical development	949,119	-	264,676	1,213,795
Human services	1,765,404	-	-	1,765,404
Cultural and recreational	302,557	-	187,012	489,569
Education	2,631,079	2,174,328	-	4,805,407
Debt service:				
Principal	955,384	-	-	955,384
Interest	379,664	-	-	379,664
Total expenditures	<u>9,887,366</u>	<u>2,174,328</u>	<u>972,161</u>	<u>13,033,855</u>
Revenues over (under) expenditures	<u>68,469</u>	<u>(2,173,105)</u>	<u>(237,374)</u>	<u>(2,342,010)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers (to) from other funds	-	-	182,859	182,859
Transfer to (from) other funds	<u>(182,859)</u>	<u>-</u>	<u>(100,000)</u>	<u>(282,859)</u>
Total other financing sources (uses)	<u>(182,859)</u>	<u>-</u>	<u>82,859</u>	<u>(100,000)</u>
Net change in fund balances	<u>(114,390)</u>	<u>(2,173,105)</u>	<u>(154,515)</u>	<u>(2,442,010)</u>
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>2,922,238</u>	<u>2,187,989</u>	<u>515,909</u>	<u>5,626,136</u>
End of year - June 30	<u>\$ 2,807,848</u>	<u>\$ 14,884</u>	<u>\$ 361,394</u>	<u>\$ 3,184,126</u>

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

**GATES COUNTY, NORTH CAROLINA**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

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

Net changes in fund balances - total governmental funds (Exhibit B) \$ (2,442,010)

Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected or is expected to be collected within 60 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:

Property taxes (84,239)

Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets. 644,601

Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement. (263,817)

Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities. (This includes debt refunding transactions.) 955,382

Increases in other post-employment benefits accrued liability are reported as expenses in the in the entity-wide financial statements. However, it is not an expenditure in the governmental funds statement. (375,114)

Expenses related to compensated absences and Law Enforcement Officers' Separation Allowance that do not require current financial resources are not reported as expenditures in the governmental funds statement. (93,436)

Total changes in net assets of governmental activities \$ (1,658,633)

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

## GATES COUNTY, NORTH CAROLINA

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund			Variance from Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 6,028,698	\$ 6,028,698	\$ 5,984,155	\$ (44,543)
Local option sales taxes	1,403,450	1,747,138	1,571,808	(175,330)
Other taxes and licenses	48,309	48,309	30,300	(18,009)
Unrestricted intergovernmental revenues	60,748	60,748	30,885	(29,863)
Restricted intergovernmental revenues	2,032,254	2,495,263	2,043,995	(451,268)
Permits and fees	135,056	135,056	110,589	(24,467)
Sales and services	134,435	134,435	144,476	10,041
Investment earnings	45,153	45,153	10,153	(35,000)
Miscellaneous	30,861	31,361	29,474	(1,887)
Total revenues	<u>9,918,964</u>	<u>10,726,161</u>	<u>9,955,835</u>	<u>(770,326)</u>
<b>Expenditures:</b>				
Current:				
General government	1,219,395	1,389,576	1,342,536	47,040
Public safety	1,584,065	1,624,468	1,561,623	62,845
Economic and physical development	940,420	1,238,726	949,119	289,607
Human services	1,814,905	1,923,065	1,765,404	157,661
Cultural and recreational	310,009	310,009	302,557	7,452
Intergovernmental:				
Education	2,631,079	2,631,079	2,631,079	-
Debt service:				
Principal retirement	949,494	949,494	955,384	(5,890)
Interest and other charges	378,803	378,803	379,664	(861)
Total expenditures	<u>9,828,170</u>	<u>10,445,220</u>	<u>9,887,366</u>	<u>557,854</u>
Revenues over (under) expenditures	<u>90,794</u>	<u>280,941</u>	<u>68,469</u>	<u>(212,472)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	100,000	100,000	100,000	-
Transfers to other funds	(63,985)	(208,985)	(182,859)	26,126
Contingency	(126,809)	(232,084)	-	232,084
Appropriated fund balance	-	60,128	-	(60,128)
Total other financing sources (uses)	<u>(90,794)</u>	<u>(280,941)</u>	<u>(82,859)</u>	<u>198,082</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(14,390)</u>	<u>\$ (14,390)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>2,922,238</u>	
End of year - June 30			<u>\$ 2,907,848</u>	

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

## GATES COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2010

	<b>Enterprise Funds</b>		
	<b>Landfill Fund</b>	<b>Water Fund</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 155,893	\$ 1,897,822	\$ 2,053,715
Receivables, net	163,469	143,644	307,113
Due from other governments	-	2,650	2,650
Inventories	-	19,627	19,627
Total current assets	<u>319,362</u>	<u>2,063,743</u>	<u>2,383,105</u>
Capital assets:			
Land, improvements, and construction in progress	-	47,476	47,476
Other capital assets, net of depreciation	-	5,071,690	5,071,690
Total capital assets	<u>-</u>	<u>5,119,166</u>	<u>5,119,166</u>
Total assets	<u>319,362</u>	<u>7,182,909</u>	<u>7,502,271</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	101,570	7,665	109,235
Current portion of accrued vacation	-	5,294	5,294
Current portion of notes payable	-	143,770	143,770
Total current liabilities	<u>101,570</u>	<u>156,729</u>	<u>258,299</u>
Non-current liabilities:			
Compensated absences	-	15,882	15,882
Notes payable	-	833,916	833,916
Other post-employment benefits	-	27,560	27,560
Total non-current liabilities	<u>-</u>	<u>877,358</u>	<u>877,358</u>
Total liabilities	<u>101,570</u>	<u>1,034,087</u>	<u>1,135,657</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	-	4,141,480	4,141,480
Unrestricted	<u>217,792</u>	<u>2,007,342</u>	<u>2,225,134</u>
Total net assets	<u>\$ 217,792</u>	<u>\$ 6,148,822</u>	<u>\$ 6,366,614</u>

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

## GATES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND  
NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	<b>Enterprise Funds</b>		
	<b>Landfill Fund</b>	<b>Water Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Charges for services	\$ 800,618	\$ 896,491	\$ 1,697,109
Water and sewer taps	-	32,750	32,750
Miscellaneous	36,508	2,725	39,233
Total operating revenues	<u>837,126</u>	<u>931,966</u>	<u>1,769,092</u>
<b>Operating Expenses:</b>			
Water operations	-	538,646	538,646
Landfill operations	706,469	-	706,469
Depreciation	-	234,277	234,277
Total operating expenses	<u>706,469</u>	<u>772,923</u>	<u>1,479,392</u>
Operating income (loss)	<u>130,657</u>	<u>159,043</u>	<u>289,700</u>
<b>Non-Operating Revenues (Expenses):</b>			
Sales tax refund	-	1,611	1,611
Investment earnings	394	8,830	9,224
Interest expense	-	(53,284)	(53,284)
Grants	-	11,644	11,644
Total non-operating revenues (expenses)	<u>394</u>	<u>(31,199)</u>	<u>(30,805)</u>
Change in net assets	131,051	127,844	258,895
<b>Net Assets:</b>			
Beginning of year - July 1	<u>86,741</u>	<u>6,020,978</u>	<u>6,107,719</u>
End of year - June 30	<u>\$ 217,792</u>	<u>\$ 6,148,822</u>	<u>\$ 6,366,614</u>

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

## GATES COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	<b>Enterprise Funds</b>		
	<b>Landfill Fund</b>	<b>Water Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 729,819	\$ 912,575	\$ 1,642,394
Cash paid for goods and services	(672,141)	(306,563)	(978,704)
Cash paid to employees for services	-	(224,968)	(224,968)
Other operating revenues	36,508	2,725	39,233
Net cash provided (used) by operating activities	<u>94,186</u>	<u>383,769</u>	<u>477,955</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	-	(57,824)	(57,824)
Principal paid on bond maturities and equipment contracts	-	(136,936)	(136,936)
Interest paid on bond maturities equipment contracts	-	(53,283)	(53,283)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(248,043)</u>	<u>(248,043)</u>
<b>Cash Flows from Non-Capital and Related Activities:</b>			
Grants	-	11,644	11,644
Other non-operating revenues	-	1,611	1,611
Net cash provided (used) by non-capital and related financing activities	<u>-</u>	<u>13,255</u>	<u>13,255</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	394	8,830	9,224
Net increase (decrease) in cash and cash equivalents	94,580	157,811	252,391
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>61,313</u>	<u>1,740,011</u>	<u>1,801,324</u>
End of year - June 30	<u>\$ 155,893</u>	<u>\$ 1,897,822</u>	<u>\$ 2,053,715</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 130,657	\$ 159,043	\$ 289,700
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	234,277	234,277
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(70,799)	(16,666)	(87,465)
(Increase) decrease in inventory	-	(3,137)	(3,137)
Increase (decrease) in accounts payable and accrued liabilities	34,328	(23,410)	10,918
Increase (decrease) in accrued vacation pay	-	6,102	6,102
Increase (decrease) in OPEB payable	-	27,560	27,560
Total adjustments	<u>(36,471)</u>	<u>224,726</u>	<u>188,255</u>
Net cash provided (used) by operating activities	<u>\$ 94,186</u>	<u>\$ 383,769</u>	<u>\$ 477,955</u>

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

**GATES COUNTY, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET ASSETS**

**FIDUCIARY FUND**

**JUNE 30, 2010**

	<u>Agency Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 88,627
Receivables	<u>1,983</u>
Total assets	<u>\$ 90,610</u>
 <b>Liabilities:</b>	
Miscellaneous liabilities	<u>\$ 90,610</u>

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

# **GATES COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010**

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

#### **Nature of Operations**

Gates County, North Carolina (the “County”), governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. The County seat is located in Gatesville, North Carolina. The County operates under a council-manager form of government and provides the following services as authorized by its charter: public safety, health, social service programs, and community development.

The accounting policies of the County and its discretely presented component units conform to accounting principles generally accepted in the United States of America, as applicable to governments. The following is a summary of the more significant accounting policies:

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

As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The following discretely presented component units are reported in separate columns in the County’s combined financial statements in order to emphasize that they are legally separate from the County.

#### **Gates County Alcoholic Beverage Control Board**

The Gates County Alcoholic Beverage Control Board (“ABC Board”) is governed by a five-member board appointed by the County Commissioners as ABC Board members’ terms expire. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County. The ABC Board, which has a June 30 year-end, is presented as if it was a proprietary fund. Complete financial statements for the ABC Board may be obtained at Gates County ABC Board, P.O. Box 88; Edenton, North Carolina 27932.

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

##### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (Exhibit A - Statement of Net Assets and Exhibit B - Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government and its component unit. The effect of interfund activity has been removed from these statements in all material areas. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The General Fund, School Construction Fund, Landfill Fund, and Water Fund are the major funds of the County for the year ended June 30, 2010.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The basis of accounting determines when the revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All funds of the County are accounted for during the year using the modified accrual basis of accounting in accordance with the North Carolina General Statutes. The financial statements are reported at year-end as discussed below.

The government-wide financial statements, the proprietary fund, fiduciary fund, and the ABC Board financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for the agency funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Net assets are segregated into (1) investment in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. Operating statements for these funds present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

As permitted by generally accepted accounting principles, the County has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations.

# **GATES COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon thereafter, to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of June 30, 2010. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

For modified accrual basis of accounting purposes, ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the subsequent year. Also, as of January 1, 1993, State law altered procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Gates County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes which were billed during this period are shown as a receivable on the fund financial statements.

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue on both the government-wide financial statements and the fund financial statements. Intergovernmental revenues and sales and services are not susceptible to accrual because, generally, they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The effect of interfund activity has been eliminated from the government-wide financial statements, with the exception of payments in lieu of taxes and other charges between the County's Landfill and Water Funds and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues; therefore, all taxes are reported as general revenues.

Proprietary funds distinguish between operating revenues/expenses and 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 Solid Waste Fund are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **D. Basis of Presentation – Fund Accounting**

The accounts of the County are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues and expenses or expenditures, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related, legal, and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

**Governmental Funds.** Governmental funds are those used to account for the County's expendable financial resources and related liabilities (except those accounted for in proprietary or agency funds). The following are the County's governmental fund types:

The County reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the County. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

**School Construction Fund.** This fund is used to account for the construction and improvements relating to school buildings.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The County reports the following nonmajor governmental funds:

**Special Revenue Funds.** Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to specified purposes. The Revaluation Fund, Emergency Telephone System Fund, Fire Protection Fund, Community Center Fund, USDA Loan Reserve Fund, School Capital Reserve Fund, Capital Reserve Fund, Single Family Home Grant Fund, and CDBG Scattered Site Grant Project Fund are special revenue funds of the County.

**Enterprise Funds.** Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The County reports all of its enterprise funds as major:

**Water Fund.** This fund is used to account for the operations of the County's water line system.

**Landfill Fund.** This fund is used to account for the operations of the County's solid waste activities.

The County reports the following fund types:

**Fiduciary Funds.** Fiduciary funds are used for assets held in a trustee capacity. The following are fiduciary funds of the County:

**Agency Funds.** Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds are used to account for assets the County holds on behalf of others. The agency funds include Social Services Trust Fund, DMV Fund (3% interest payable to the State), Extension Director Fund, the 4-H Fund, Drainage District I, Drainage District II, Drainage District III, and the Town of Gatesville.

### E. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund; the special revenue funds, with the exception of the Community Center Project Fund, Single Family Home Grant Fund, and CDBG Scattered Site Grant Project Fund, which are project based, and the Enterprise Fund. Project ordinances are adopted for the capital project funds. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting.

# **GATES COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010**

Expenditures may not legally exceed appropriations at the functional level for the General Fund and at the fund level for the special revenue funds, enterprise funds, and capital projects funds. The County Manager is authorized by the budget ordinance to transfer appropriations between departments of the same fund up to \$1,000 with an official report of such transfers to the Board at the next regular meeting of the Board of Commissioners. During the year, several amendments to the original budget became necessary. 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.

### **F. Assets, Liabilities, and Fund Equity**

#### **Deposits and Investments**

All deposits of the County are made in board-designated official depositories and are secured as required by G.S. 159-31. The County may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County 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 County 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), an SEC-registered (2a-7) money market mutual fund.

The County's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The NCCMT's Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

#### **Cash and Cash Equivalents**

The County pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

For purposes of the Statement of Cash Flows, the County considers all deposits and investments with an original maturity date of three months or less, which are not limited as to use, to be cash equivalents.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

### Restricted Assets

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

### Ad Valorem Taxes Receivable

In accordance with State laws [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2009.

### 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.

### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (including infrastructure assets purchased prior to implementing GASB 34), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost greater than \$2,500, and an estimated useful life greater than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The County capitalizes buildings and land, purchased or constructed, for the Gates County Board of Education in all instances where the County retains title to the property. The County transfers title of school property to the Board of Education after all installment debt collateralized by the property has been retired. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or significantly extend the asset's life are not capitalized. The County capitalizes interest costs which are incurred during the construction period of capital assets.

Buildings and equipment are depreciated using the straight-line method over estimated useful lives as shown below:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Furniture and fixtures	10 years
Equipment	5-10 years
Vehicles	5 years

# **GATES COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010**

### **Compensated Absences**

County employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation days up to a maximum of thirty days. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. The County uses the first-in, first-out method to value accrued vacation pay and the current amount due.

The County's sick leave policy provides for unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave at the time of retirement may be used in the determination of length of service for retirement benefit purposes. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

### **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 Assets. Debt issuance costs are recognized as other assets and amortized over the life of the debt using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as debt issuance costs during the current period. The face amount of the debt 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 net proceeds received, are reported as debt service expenditures.

### **Deferred/Unearned Revenues**

In the fund financial statements, ad valorem taxes receivable are not accrued as a revenue because they are not considered to be both "measurable and available." Ad valorem taxes receivable that are measurable, but not available, are recorded as deferred revenues in the fund financial statements. In addition, property taxes collected in advance of the fiscal year to which they apply are also recorded as unearned revenues in the government-wide financial statements and deferred revenues in the fund financial statements. Certain receivables are also recorded as deferred revenues in the fund financial statements because they are not considered to be available at year-end.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

### Fund Equity

Reservations or restrictions of equity in the fund financial statements represent amounts that are not appropriable or are legally segregated for a specific purpose.

The governmental fund types classify fund balances as follows:

### Reserved

**Reserved by State Statute** - portion of fund balance, in addition to other reserves, which is not available for appropriation under State law. State law restricts the appropriation of fund balance or fund equity to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

### Interfund Transactions

Interfund services provided are accounted for as revenue or expenses in the government-wide financial statements, since they would be treated as such if they involved organizations external to the County. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are: allowance for doubtful accounts and depreciation lives.

## 2. Stewardship, Compliance, and Accountability

### Significant Violations of Finance-Related Legal and Contractual Provisions

General Statute 159-25(b) requires all checks to be signed by the Finance Officer or a properly designated deputy finance officer. The Department of Social Services Trust Fund accounts was maintained and controlled by the Social Services Director, who was not duly authorized to sign checks on behalf of the Finance Officer.

**Corrective Action Plan.** The Finance Officer has taken over custody and execution of the Social Services Trust Fund account.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

### 3. Cash and Cash Equivalents

#### Deposits

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County'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 County, these deposits are considered to be held by their agents in the entities' 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 County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, 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 County does not have policies regarding custodial credit risk for deposits.

At June 30, 2010, the County's bank deposits had a carrying amount of \$1,155,433 and a bank balance of \$1,302,986. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$1,052,986 was covered by the Pooling Method. At June 30, 2010, Gates County had \$730 cash on hand.

#### Investments

At June 30, 2010, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Less Than 12 Months</u>
North Carolina Capital Management Trust - Cash Portfolio	AAA	\$ 1,973,991	\$ 1,973,991
Term Portfolio	AAA	<u>1,979,984</u>	<u>1,979,984</u>
Total Investments		<u>\$ 3,953,975</u>	<u>\$ 3,953,975</u>

**Interest Rate Risk.** The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

**Credit Risk.** The County has no policy regarding credit risk. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2010. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government agencies and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

#### 4. Property Tax – Use-Value Assessment on Certain Lands

In accordance with the General Statutes, agriculture, horticulture, and forestland may be taxed by the County at the present use-value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. As of June 30, 2010, the deferment related to these properties was \$199,821,804 in valuation, and the deferred tax associated with the properties was \$1,278,860.

#### 5. Receivables

Receivables at Exhibit A at June 30, 2010 were as follows:

Type of Receivable	Amount (Net of Allowance)		
	Governmental Activities	Business-Type Activities	Total
<b>Accounts Receivable:</b>			
Other accounts receivable	\$ 10,171	\$ -	\$ 10,171
Customer/client billings	-	307,113	307,113
Total	\$ 10,171	\$ 307,113	\$ 317,284
<b>Due from Other Governments:</b>			
Sales tax refund	\$ 518,484	\$ 2,650	\$ 521,134
School construction drawdown	42,380	-	42,380
Total	\$ 560,864	\$ 2,650	\$ 563,514

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

### Allowances for Doubtful Accounts

For the County, the amounts presented in Exhibit A, the Statement of Net Assets, are net of the following allowances for doubtful accounts:

Fund	Allowance
<b>Governmental Activities:</b>	
Property taxes - General Fund	\$ 315,000
Total	\$ 315,000
 <b>Business-Type Activities:</b>	
Landfill Fund	\$ 30,896
Water Fund	33,471
Total	\$ 64,367

## 6. Capital Assets

### Governmental Capital Assets

A summary of changes in the County's governmental capital assets follows:

	July 1, 2009 As Restated	Additions	Retirements	June 30, 2010
<b>Non-Depreciable Assets:</b>				
Land	\$ 290,237	\$ -	\$ -	\$ 290,237
Construction in progress	636,674	187,012	-	823,686
Total non-depreciable assets	926,911	187,012	-	1,113,923
<b>Depreciable Assets:</b>				
Buildings	3,315,375	-	-	3,315,375
Other improvements	57,585	-	-	57,585
Equipment	364,005	369,677	-	733,682
Vehicles and motorized equipment	768,603	87,912	(23,000)	833,515
Total depreciable assets	4,505,568	457,589	(23,000)	4,940,157
<b>Less Accumulated Depreciation:</b>				
Buildings	1,290,914	76,909	-	1,367,823
Other improvements	25,080	3,573	-	28,653
Equipment	223,972	48,576	-	272,548
Vehicles and motorized equipment	385,168	134,759	(23,000)	496,927
Total accumulated depreciation	1,925,134	263,817	(23,000)	2,165,951
Depreciable capital assets, net	2,580,434	193,772	-	2,774,206
Governmental activity capital assets, net	\$ 3,507,345	\$ 380,784	\$ -	\$ 3,888,129

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Beginning governmental capital assets were restated (increased) by \$626,674, which represents construction in progress that was not properly capitalized in prior years.

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

**Governmental Activities:**

General government	\$	47,487
Public safety		60,678
Human services		81,783
Economic and physical development		55,402
Cultural and recreational		<u>18,467</u>
Total	\$	<u>263,817</u>

**Proprietary Capital Assets**

The capital assets of the proprietary funds at June 30, 2010 are as follows:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>
<b>Water Fund:</b>				
<b>Non-Depreciable Assets:</b>				
Land	\$ 27,476	\$ -	\$ -	\$ 27,476
Construction in progress	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total non-depreciable assets	<u>27,476</u>	<u>20,000</u>	<u>-</u>	<u>47,476</u>
<b>Depreciable Assets:</b>				
Plant and systems	9,072,354	-	-	9,072,354
Furniture and maintenance equipment	394,186	37,824	(10,212)	421,798
Vehicles	<u>164,960</u>	<u>-</u>	<u>(14,288)</u>	<u>150,672</u>
Total depreciable assets	<u>9,631,500</u>	<u>37,824</u>	<u>(24,500)</u>	<u>9,644,824</u>
<b>Less Accumulated Depreciation:</b>				
Plant and distribution systems	4,019,039	181,447	-	4,200,486
Furniture and maintenance equipment	240,455	40,577	(10,212)	270,820
Vehicles	<u>103,863</u>	<u>12,253</u>	<u>(14,288)</u>	<u>101,828</u>
Total accumulated depreciation	<u>4,363,357</u>	<u>234,277</u>	<u>(24,500)</u>	<u>4,573,134</u>
Depreciable capital assets, net	<u>5,268,143</u>	<u>(196,453)</u>	<u>-</u>	<u>5,071,690</u>
Water Fund capital assets, net	<u>\$ 5,295,619</u>	<u>\$ (176,453)</u>	<u>\$ -</u>	<u>\$ 5,119,166</u>

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

### Invested in Capital Assets, Net of Debt

The total invested in capital assets, net of related debt, at June 30, 2010 is composed of the following elements:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets	\$ 3,888,129	\$ 5,119,166
Long-term debt	(8,877,035)	(977,686)
Long-term debt for assets, not owned by the County	7,033,290	-
Invested in capital assets, net of related debt	\$ 2,044,384	\$ 4,141,480

### 7. Accounts Payable and Accrued Expenses

#### Disaggregate Information

<u>Type of Payable</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Trade payables	\$ 219,149	\$ 109,235	\$ 328,384
Total	\$ 219,149	\$ 109,235	\$ 328,384

### 8. Pension Plan Obligation

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

**Plan Description.** Gates County contributes to the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple -employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS 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, or by calling (919) 981-5454.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

**Funding Policy.** Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.94% and 4.86%, respectively, of annual covered payroll. The contribution requirements of members and of Gates County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$227,957, \$246,313, and \$231,918, respectively.

### B. Law Enforcement Officers' Special Separation Allowance

**Plan Description.** Gates County administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At June 30, 2010, the separation allowance's membership consisted of:

Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>12</u>
Total	<u><u>12</u></u>

A separate report was not issued for the plan.

**Contributions.** The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions on a pay-as-you-go basis. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The County obtained an actuarial valuation as of December 31, 2005. The net pension obligation as of June 30, 2006 was \$260,571. The County funds the plan on a pay-as-you-go basis and records these payments as General Fund expenditures.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

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

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2010 were \$20,891, which consisted of \$19,811 from the County and \$1,080 from the law enforcement officers.

### D. Registers of Deeds' Supplemental Pension Fund

**Plan Description.** Gates County also contributes to the Register of Deeds' Supplemental Pension Fund (Fund), a non-contributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any County Register of Deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The 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 Fund. 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.** On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2010, the County's required and actual contributions were \$782.

**GATES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**E. Other Post-Employment Benefits-Healthcare**

**Plan Description.** The County provides healthcare benefits through a single-employer defined benefit plan to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System, have 20 years of creditable service with the County, and meet requirements for full retirement under the Local Governmental Employee's Retirement System. The County pays the full cost of coverage for these benefits. Currently, six retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2010, the County made payments for post-retirement health benefit premiums of \$35,412. A separate report was not issued for the plan.

Membership of the plan consisted of the following at December 31, 2009, the date of the latest actuarial valuation:

	<b>General Employees</b>	<b>Law Enforcement Officers</b>
Retirees and dependents receiving benefits	6	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	66	13
Total	72	13

**Funding Policy.** The County pays 100% of the cost of coverage for the healthcare benefits paid to qualified retirees with twenty (20) years of uninterrupted service immediately preceding coverage to the County under a County resolution that can be amended by the Board of County Commissioners. For retirees whose age plus years of service total 70, 75, or 80 at retirement, the County contribution percentage is 50%, 75%, and 100%, respectively. The County's members pay the current active employee rate for dependent coverage, if the retiree elects to purchase the coverage. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 18.73% of annual covered payroll. For the current year, the County contributed \$35,412, or 1.51% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to the plan is established and may be amended by the Board of County Commissioners.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

### Summary of Significant Accounting Policies

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

### Annual OPEB Cost and Net Obligation

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Annual required contribution	\$ 408,102	\$ 29,984	\$ 438,086
Interest on net OPEB obligation	-	-	-
Adjustments to annual required contribution	-	-	-
Annual OPEB cost (expense)	408,102	29,984	438,086
Contributions made	(32,988)	(2,424)	(35,412)
Increase (decrease) in net OPEB obligation	375,114	27,560	402,674
Net OPEB obligation:			
Beginning of year - July 1	-	-	-
End of year - June 30	<u>\$ 375,114</u>	<u>\$ 27,560</u>	<u>\$ 402,674</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 438,086	8.1%	\$ 402,674

# **GATES COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010**

### **Fund Status and Funding Progress**

As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$3,943,191. The covered payroll (annual payroll of active employees covered by the plan) was \$2,338,648, and the ratio of the UAAL to the covered payroll was 168.6 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan, and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial accrued liabilities for benefits.

### **Actuarial Methods and Assumptions**

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

In the December 31, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50 to 5.00 percent annually. Both rates included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009, was 30 years.

As of June 30, 2010, management had not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the County Council.

**GATES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**F. Other Employment Benefits**

The County 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 will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. 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. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The County considers these contributions to be of an immaterial amount to the financial statement presentation as a whole.

**9. Deferred/Unearned Revenues**

The balance in deferred revenues in the governmental funds statement at year-end is composed of the following elements:

	<b>General Fund</b>
Prepaid taxes not yet earned	\$ 35,556
Taxes receivable (net)	478,715
Total	\$ 514,271

The balance in unearned items in the government-wide statements at year-end is composed of the following elements:

	<b>Governmental Activities</b>	<b>Total</b>
Prepaid taxes	\$ 35,556	\$ 35,556
Total	\$ 35,556	\$ 35,556

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

### 10. Long-Term Obligations

#### Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2010:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
<b>Governmental Activities:</b>					
Notes payable	\$ 9,832,417	\$ -	\$ (955,382)	\$ 8,877,035	\$ 974,528
OPEB liability	-	375,114	-	375,114	-
Compensated absences	<u>155,249</u>	<u>170,484</u>	<u>(77,048)</u>	<u>248,685</u>	<u>62,172</u>
Total governmental activities	<u>\$ 9,987,666</u>	<u>\$ 545,598</u>	<u>\$ (1,032,430)</u>	<u>\$ 9,500,834</u>	<u>\$ 1,036,700</u>
<b>Business-Type Activities:</b>					
Notes payable	\$ 1,114,622	\$ -	\$ (136,936)	\$ 977,686	\$ 143,770
OPEB liability	-	27,560	-	27,560	-
Compensated absences	<u>15,074</u>	<u>15,390</u>	<u>(9,288)</u>	<u>21,176</u>	<u>5,294</u>
Total business-type activities	<u>\$ 1,129,696</u>	<u>\$ 42,950</u>	<u>\$ (146,224)</u>	<u>\$ 1,026,422</u>	<u>\$ 149,064</u>

Compensated absences and the OPEB liability have typically been liquidated in the General Fund. Compensated absences are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

North Carolina General Statutes limit certain indebtedness of the County to an amount not greater than 8% of the appraised value of property subject to taxation by the County. At June 30, 2010, the legal debt limit and legal debt margin given no bonded debt outstanding totaled \$74,264,846.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

### Notes Payable

#### Serviced by General Fund:

3.65% note, payable in semi-annual installments of \$281,363, including interest; matures July 2013; secured by Gates County High School	\$ 1,833,290
3.74% note, payable in annual installments of \$6,752, including interest; matures July 2013; secured by Register of Deed's equipment	24,660
3.98% note, payable in semi-annual installments of \$216,667, plus interest; matures January 2022; secured by school real estate	5,200,000
4.25% note, payable in annual installments of \$83,440, including interest; matures September 2037; secured by Social Services building	1,351,103
4.25% note, payable in annual installments of \$28,902, including interest; matures September 2037; secured by Social Services building	<u>467,982</u>
Total notes payable	<u>\$ 8,877,035</u>

#### Serviced by Water Fund:

4.90% note, payable in semi-annual installments of \$95,110, including interest; matures July 2016; secured by water system plant	<u>\$ 977,686</u>
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Annual debt service requirements to maturity for the County's notes payable are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 974,528	\$ 343,273	\$ 143,770	\$ 46,450
2012	994,664	305,891	150,946	39,274
2013	1,015,551	267,757	158,480	31,741
2014	755,852	228,846	166,388	23,832
2015	474,710	204,627	174,693	15,527
2016-2020	2,401,471	736,514	183,409	6,809
2021-2025	1,155,792	315,703	-	-
2026-2030	356,014	205,696	-	-
2031-2035	438,377	123,334	-	-
2036-2038	310,076	26,712	-	-
Total	<u>\$ 8,877,035</u>	<u>\$ 2,758,353</u>	<u>\$ 977,686</u>	<u>\$ 163,633</u>

# **GATES COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010**

### **11. Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in a self-funded risk financing pool administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$350,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pool is audited annually by certified public accountants, and the audited financial statements are available to the County upon request.

The County carries flood insurance through the NCACC Liability and Property Pool. Because the County is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the County is eligible to purchase coverage of \$25,000 per structure for each occurrence.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more of the County's funds at any given time are performance bonded through an insurance policy bond. The Finance Officer and Tax Collector are each individually bonded for \$200,000 each.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

Gates County ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

### **12. Landfill Closure and Post-Closure Care Costs**

Federal and State laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. As indicated in Note 15, the County participates in two joint ventures in connection with handling solid waste disposal - Perquimans-Gates Waste Management and Albemarle Regional Solid Waste Authority.

The landfill under the Albemarle Regional Solid Waste Authority in which the County participates is under contract with a private contractor to maintain the landfill to meet environmental regulations. The private contractor has established a reserve fund to provide for closure and post-closure costs. The County believes this reserve to be adequate at this time.

**GATES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**13. Construction Commitments**

The County had commitments, as shown below, for construction contracts outstanding at June 30, 2010. The projects are accounted for in the capital projects funds and are mainly funded by debt proceeds.

<u>Project</u>	<u>Balance of Contract</u>
Equipment Shelter	\$ 48,000

**14. Interfund Balances and Activity**

**Dues To/From Other Funds**

The composition of interfund balances at June 30, 2010 are as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General Fund	\$ 9,720	\$ -
Nonmajor special revenue funds	-	9,720
Total	<u>\$ 9,720</u>	<u>\$ 9,720</u>

Amounts were due to the General Fund from nonmajor funds for operating purposes.

**Transfer To/From Other Funds**

Transfers to/from other funds at June 30, 2010 consists of the following:

From the General Fund to the Revaluation Fund to accumulate resources for the octennial revaluation of real property	\$ 52,750
From the General Fund to the USDA Loan Reserve Fund for annual contribution of loan payment	11,235
From the General Fund to the Community Center Project Fund to cover expenditures for the project	118,874
From the School Capital Reserve Fund to the General Fund to cover general expenditures	<u>(100,000)</u>
Total	<u>\$ 82,859</u>

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

### 15. Joint Ventures

The County participates in a joint venture to operate Perquimans-Gates Regional Landfill (Landfill) with two other counties. Each participating government appoints their County Manager and two Commissioners to the nine-member Board of the Landfill. Although the Landfill is no longer accepting solid waste, the site will continue to be used as a waste transfer station. Gates County will continue to pay 25% of the site's operating cost and 33% of any capital outlay. In accordance with the intergovernmental agreement between the participating governments, the County paid \$695,636 for operating costs. The PPCC District Health Department acts as fiscal agent to the landfill.

The County participates in a joint venture to operate Albemarle Regional Library (Library) which serves a four-County district. Gates County appoints three members to the ten-member district Library Board. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2010. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$90,000 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's office on Tryon Street, Winton, North Carolina 27986.

The County also participates in a joint venture to operate Albemarle Regional Health Services with seven other counties. The area Board of Commissioners appoints the fifteen-member governing board. The County has an ongoing financial responsibility for Albemarle Regional Health Services because the County is required by State Statute to provide public health services either directly or jointly with other counties. Neither of the participating governments have any equity interest in Albemarle Regional Health Services, so no equity interest has been reflected in the financial statements at June 30, 2010. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$104,602 to the Albemarle Regional Health Services to supplement its activities. Complete financial statements for the Albemarle Regional Health Services can be obtained from their office at P.O. Box 189, Elizabeth City, North Carolina 27909.

### 16. Jointly Governed Organization

The County, in conjunction with nine other counties and sixteen other municipalities, established the Albemarle Commission. The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints three members to the Commission's governing board. The County paid membership fees of \$7,682 to the Commission during the fiscal year ended June 30, 2010.

The County, in conjunction with fifteen other counties, established the North East Economic Development Committee (NEED), a tourism advisory committee to the Northeastern North Carolina Regional Economic Development Partnership, Inc. Each participating government appoints two members to the Committee.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The County, in conjunction with other counties, participates in East Carolina Behavioral Health, a local management entity for mental health care services. These entities provide mental health services to the residents of the participating counties through satellite offices. The County contributed \$37,817 to this organization during the fiscal year ended June 30, 2010.

### 17. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients that do not appear in the basic financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 8,339,425	\$ 2,919,702
WIC	157,087	-
IV- E Foster Care	4,588	927
Energy Assistance	57,755	-
TANF	90,779	(14)
CWS Adoption Subsidy	-	5,072
SA Domiciliary Care	-	68,777
State Foster Home	-	348
Total	<u>\$ 8,649,634</u>	<u>\$ 2,994,812</u>

### 18. Summary Disclosure of Significant Commitments and Contingencies

#### Federal and State-Assisted Programs

The County 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 monies 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 monies.

### 19. Prior Period Adjustment

Omissions were discovered with regards to amounts capitalized and ultimately reported as capital assets in prior years. The effect of such errors resulted in an understatement of capital assets and net assets for governmental activities of \$636,674.

## GATES COUNTY, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2010**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
12/31/2009	\$ -	\$ 3,943,191	\$ 3,943,191	0.00%	\$ 2,338,648	168.6%

**Schedule of Employer Contributions**

<b>Year Ended June 30</b>	<b>Annual Required Contribution (ARC)</b>	<b>Amount Contributed By Employer</b>	<b>Percentage of ARC Contributed</b>
2010	\$ 438,086	\$ 35,412	8.1%

**Notes to the Required Schedules:**

The information presented above was determined as part of the actuarial valuations at the dates indicated above. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	10.5%-5.00%
Year of Ultimate trend rate	2017

\* Includes inflation at 3.75%

GATES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Variance Over/Under	2009
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 5,932,761	\$ 5,980,241	\$ 47,480	\$ 5,483,699
Penalties and interest	95,937	3,914	(92,023)	3,839
Total	<u>6,028,698</u>	<u>5,984,155</u>	<u>(44,543)</u>	<u>5,487,538</u>
<b>Local Option Sales Taxes:</b>				
Article 39	325,365	349,362	23,997	377,266
Article 40 one-half of one percent	523,293	581,506	58,213	614,354
Article 42 one-half of one percent	542,292	285,569	(256,723)	612,832
Article 44	12,500	11,682	(818)	128,956
Medicaid Hold Harmless payment	343,688	343,689	1	294,739
Total	<u>1,747,138</u>	<u>1,571,808</u>	<u>(175,330)</u>	<u>2,028,147</u>
<b>Other Taxes and Licenses:</b>				
Tax refunds	10,000	12,499	2,499	12,110
Deep stamp excise tax	36,820	16,673	(20,147)	23,356
Privilege licenses	-	-	-	5
ABC bottle tax	1,489	1,128	(361)	1,738
Total	<u>48,309</u>	<u>30,300</u>	<u>(18,009)</u>	<u>37,209</u>
<b>Unrestricted Intergovernmental Revenues:</b>				
Payments in lieu of taxes	14,500	10,624	(3,876)	11,306
Beer and wine tax	42,500	16,458	(26,042)	51,741
Cable franchise fees	1,748	1,803	55	1,936
ABC distributions	2,000	2,000	-	2,500
Total	<u>60,748</u>	<u>30,885</u>	<u>(29,863)</u>	<u>67,483</u>
<b>Restricted Intergovernmental Revenues:</b>				
Federal and State grants	2,495,263	2,043,995	(451,268)	2,217,315
Total	<u>2,495,263</u>	<u>2,043,995</u>	<u>(451,268)</u>	<u>2,217,315</u>
<b>Permits and Fees:</b>				
Building permits	85,519	67,271	(18,248)	76,923
Register of Deeds	49,537	43,318	(6,219)	42,607
Total	<u>135,056</u>	<u>110,589</u>	<u>(24,467)</u>	<u>119,530</u>

GATES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Variance Over/Under	2009
	Budget	Actual		Actual
<b>Sales and Services:</b>				
Transportation fares	11,376	18,308	6,932	14,391
Rents, concessions, and fees	41,387	37,017	(4,370)	32,516
Jail fees	27,072	39,528	12,456	36,255
Divorce fees	-	-	-	-
School resource officer	31,094	36,241	5,147	33,081
Court facilities fees	23,506	13,382	(10,124)	34,236
Total	134,435	144,476	10,041	150,479
<b>Investment Earnings</b>	45,153	10,153	(35,000)	41,545
<b>Miscellaneous:</b>				
Insurance reimbursement	1,500	-	(1,500)	4,010
Sale of assets	8,000	5,666	(2,334)	9,378
Other	21,861	23,808	1,947	25,072
Total	31,361	29,474	(1,887)	38,460
Total revenues	10,726,161	9,955,835	(770,326)	10,187,706
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Salaries and employee benefits	55,427	55,931	(504)	55,942
Operating expenditures	81,796	78,743	3,053	92,151
Capital outlay	-	-	-	5,491
Total	137,223	134,674	2,549	153,584
<b>Administration:</b>				
Salaries and employee benefits	251,983	248,788	3,195	223,827
Operating expenditures	40,265	36,976	3,289	43,454
Capital outlay	5,000	4,204	796	-
Reimbursement from Enterprise Fund	(69,873)	(68,644)	(1,229)	(62,000)
Total	227,375	221,324	6,051	205,281
<b>Tax Collection:</b>				
Salaries and employee benefits	197,884	196,973	911	187,017
Operating expenditures	78,609	77,577	1,032	95,380
Total	276,493	274,550	1,943	282,397

GATES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Variance Over/Under	2009
	Budget	Actual		Actual
<b>Legal:</b>				
Contracted services	18,000	15,652	2,348	7,137
<b>Court Facilities:</b>				
Operating expenses	35,450	32,506	2,944	28,406
<b>Elections:</b>				
Salaries and employee benefits	48,436	46,997	1,439	45,738
Operating expenditures	48,582	37,113	11,469	21,642
Total	97,018	84,110	12,908	67,380
<b>Register of Deeds:</b>				
Salaries and employee benefits	87,483	87,388	95	91,320
Operating expenditures	39,787	28,108	11,679	26,676
Capital outlay	-	-	-	2,879
Total	127,270	115,496	11,774	120,875
<b>Public Buildings:</b>				
Salaries and employee benefits	107,870	105,734	2,136	106,243
Operating expenditures	262,625	258,239	4,386	213,766
Capital outlay	100,252	100,251	1	22,697
Total	470,747	464,224	6,523	342,706
Total general government	1,389,576	1,342,536	47,040	1,207,766
<b>Public Safety:</b>				
<b>Sheriff and Communications:</b>				
Salaries and employee benefits	785,349	780,451	4,898	770,683
Operating expenditures	139,583	112,801	26,782	109,126
Capital outlay	93,000	79,899	13,101	72,048
Total	1,017,932	973,151	44,781	951,857
<b>Jail:</b>				
Operating expenditures	225,000	224,282	718	203,202
Capital outlay	50,000	50,000	-	50,000
Total	275,000	274,282	718	253,202

GATES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Variance Over/Under	2009
	Budget	Actual		Actual
<b>Emergency Management:</b>				
Salaries and employee benefits	5,598	2,148	3,450	-
Operating expenditures	42,714	39,240	3,474	31,145
Capital outlay	700	655	45	10,697
Total	49,012	42,043	6,969	41,842
<b>Fire:</b>				
Forest fire protection	53,000	53,000	-	53,000
<b>Recue Squad:</b>				
Allocation	12,000	12,000	-	12,000
<b>Building Inspector:</b>				
Salaries and employee benefits	139,391	138,406	985	138,106
Operating expenditures	22,696	22,285	411	16,078
Total	162,087	160,691	1,396	154,184
<b>Medical Examiner:</b>				
Professional services	8,000	8,100	(100)	3,800
<b>Animal Control:</b>				
Operating expenditures	47,437	38,356	9,081	56,173
Total public safety	1,624,468	1,561,623	62,845	1,526,058
<b>Economic and Physical Development:</b>				
<b>Agricultural Extension:</b>				
Salaries and employee benefits	113,295	108,014	5,281	121,904
Operating expenditures	21,299	16,042	5,257	11,775
Capital outlay	6,204	5,789	415	421
Total	140,798	129,845	10,953	134,100
<b>Soil and Water Conservation:</b>				
Salaries and employee benefits	73,318	71,949	1,369	77,176
Operating expenditures	6,450	5,596	854	5,372
Total	79,768	77,545	2,223	82,548

GATES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Variance Over/Under	2009
	Budget	Actual		Actual
<b>Zoning:</b>				
Salaries and employee benefits	58,147	57,819	328	64,873
Operating expenditures	20,100	19,057	1,043	19,030
Total	78,247	76,876	1,371	83,903
<b>Cooperative Extension Service:</b>				
Support of our students	70,138	33,425	36,713	31,409
Genesis	29,134	21,787	7,347	26,218
New choices	8,542	537	8,005	4,347
School age child care	30,506	16,352	14,154	24,116
Life Smarts	31,180	26,875	4,305	119
Work Experience Grant	-	-	-	1,484
Divorce filing fee	37,076	17,242	19,834	27,778
4-H Program	62,541	60,856	1,685	30,743
Baby Love Grant	72,340	37,334	35,006	39,184
SHIP Grant	4,753	2,572	2,181	1,802
Science camp	6,565	5,680	885	13,653
On-Target Grant	90,000	80,153	9,847	55,705
Albemarle Foundation Grant	300	300	-	300
Real World Grant	6,250	727	5,523	-
ECB Youth Opportunities Grant	-	-	-	3,190
Total	449,325	303,840	145,485	260,048
<b>GITS:</b>				
Salaries and employee benefits	243,767	218,987	24,780	225,365
Operating expenditures	177,630	140,318	37,312	130,794
Capital outlay	69,191	1,708	67,483	85,248
Total	490,588	361,013	129,575	441,407
Total economic and physical development	1,238,726	949,119	289,607	1,002,006
<b>Human Services:</b>				
<b>Health:</b>				
<b>Administration:</b>				
Albemarle Regional Health Services	104,602	104,601	1	118,054
Albemarle Mental Health Center	39,306	38,945	361	39,389
Albemarle Hospital	500	500	-	-
Total	144,408	144,046	362	157,443

GATES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Variance Over/Under	2009
	Budget	Actual		Actual
<b>Social Services:</b>				
<b>Administration:</b>				
Salaries and employee benefits	933,864	923,571	10,293	920,375
Operating expenditures	102,873	86,667	16,206	56,226
Total	1,036,737	1,010,238	26,499	976,601
<b>Special Assistance for Adults:</b>				
County participation	83,261	68,777	14,484	90,262
<b>Medicaid:</b>				
County participation	52,500	70,665	(18,165)	303,978
<b>Special Social Services:</b>				
Food Stamp Program	3,000	2,916	84	2,673
Daycare	405,586	307,322	98,264	369,207
Crisis intervention	50,205	42,290	7,915	35,872
N.C. Blind Commission	1,500	1,523	(23)	1,674
Domestic violence	7,257	5,010	2,247	4,067
Work First	23,900	20,039	3,861	15,934
CPS and independent living	12,843	1,359	11,484	36,386
Others	22,323	13,676	8,647	14,108
Total	526,614	394,135	132,479	479,921
Total social services	1,699,112	1,543,815	155,297	1,850,762
<b>Special Appropriations:</b>				
Veterans service	4,000	4,000	-	4,000
Juvenile crime prevention	32,312	32,312	-	29,956
Others	43,233	41,231	2,002	14,663
Total special appropriation	79,545	77,543	2,002	48,619
Total human services	1,923,065	1,765,404	157,661	2,056,824
<b>Cultural and Recreational:</b>				
<b>Community Center:</b>				
Salaries and employee benefits	25,929	18,839	7,090	25,142
Operating expenditures	190,080	190,080	-	192,060
Capital outlay	4,000	3,638	362	-
Total	220,009	212,557	7,452	217,202

GATES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Variance Over/Under	2009
	Budget	Actual		Actual
<b>Libraries:</b>				
Operating expenditures	90,000	90,000	-	90,000
Total cultural and recreation	310,009	302,557	7,452	307,202
<b>Education:</b>				
Public schools - current	2,517,079	2,517,079	-	2,531,270
Public schools - capital outlay	100,000	100,000	-	100,000
Community colleges	14,000	14,000	-	17,500
Total education	2,631,079	2,631,079	-	2,648,770
<b>Debt Service:</b>				
Principal retirement	949,494	955,384	5,890	931,028
Interest and fees	378,803	379,664	861	414,515
Total debt service	1,328,297	1,335,048	6,751	1,345,543
Total expenditures	10,445,220	9,887,366	571,356	10,094,169
Revenues over (under) expenditures	280,941	68,469	(1,341,682)	93,537
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	100,000	100,000	-	250,347
Transfers to other funds	(208,985)	(182,859)	(26,126)	(38,000)
Contingency	(232,084)	-	(232,084)	-
Appropriated fund balance	60,128	-	(60,128)	-
Total other financing sources (uses)	(280,941)	(82,859)	(318,338)	212,347
Net change in fund balance	\$ -	(14,390)	\$ (14,390)	305,884
<b>Fund Balance:</b>				
Beginning of year - July 1		2,922,238		2,616,354
End of year - June 30		\$ 2,907,848		\$ 2,922,238

**GATES COUNTY, NORTH CAROLINA**

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2010**

	<u>Revaluation Fund</u>	<u>Emergency Telephone System Fund</u>	<u>Fire Protection Fund</u>	<u>Community Center Project Fund</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 38,482	\$ 262,770	\$ 17,177	\$ -
Accounts receivable, net	-	-	-	-
Due from other governments	-	14,630	-	9,641
	<u>-</u>	<u>14,630</u>	<u>-</u>	<u>9,641</u>
 Total assets	 <u>\$ 38,482</u>	 <u>\$ 277,400</u>	 <u>\$ 17,177</u>	 <u>\$ 9,641</u>
 <b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 15,416	\$ -
Due to other funds	-	-	-	9,641
Total liabilities	<u>-</u>	<u>-</u>	<u>15,416</u>	<u>9,641</u>
 <b>Fund Balances:</b>				
Reserved by State statute	-	14,630	-	-
Unreserved	38,482	262,770	1,761	-
Total fund balances	<u>38,482</u>	<u>277,400</u>	<u>1,761</u>	<u>-</u>
 Total liabilities and fund balances	 <u>\$ 38,482</u>	 <u>\$ 277,400</u>	 <u>\$ 17,177</u>	 <u>\$ 9,641</u>

Schedule C-1

<u>USDA Loan Reserve Fund</u>	<u>School Capital Reserve Fund</u>	<u>Single Family Home Grant Project</u>	<u>CDBG Scattered Site Grant Project</u>	<u>Total</u>
\$ 33,705	\$ 10,039	\$ 1,500	\$ -	\$ 363,673
-	-	-	86	86
-	-	-	-	24,271
<u>\$ 33,705</u>	<u>\$ 10,039</u>	<u>\$ 1,500</u>	<u>\$ 86</u>	<u>\$ 388,030</u>
\$ -	\$ -	\$ 1,500	\$ -	\$ 16,916
-	-	-	79	9,720
-	-	1,500	79	26,636
-	-	-	-	14,630
33,705	10,039	-	7	346,764
<u>33,705</u>	<u>10,039</u>	<u>-</u>	<u>7</u>	<u>361,394</u>
<u>\$ 33,705</u>	<u>\$ 10,039</u>	<u>\$ 1,500</u>	<u>\$ 86</u>	<u>\$ 388,030</u>

## GATES COUNTY, NORTH CAROLINA

### NONMAJOR SPECIAL REVENUE FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2010

	<u>Revaluation Fund</u>	<u>Emergency Telephone System Fund</u>	<u>Fire Protection Fund</u>	<u>Community Center Project Fund</u>
<b>Revenues:</b>				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ 75,934
Other taxes and licenses	-	151,991	240,879	-
Investment earnings	44	1,478	254	-
Total revenues	<u>44</u>	<u>153,469</u>	<u>241,133</u>	<u>75,934</u>
<b>Expenditures:</b>				
Current:				
General government	33,600	-	-	-
Public safety	-	245,994	240,879	-
Economic development	-	-	-	-
Culture and recreation	-	-	-	187,012
Total expenditures	<u>33,600</u>	<u>245,994</u>	<u>240,879</u>	<u>187,012</u>
Revenues over (under) expenditures	<u>(33,556)</u>	<u>(92,525)</u>	<u>254</u>	<u>(111,078)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	52,750	-	-	118,874
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	<u>52,750</u>	<u>-</u>	<u>-</u>	<u>118,874</u>
Net change in fund balances	19,194	(92,525)	254	7,796
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>19,288</u>	<u>369,925</u>	<u>1,507</u>	<u>(7,796)</u>
End of year - June 30	<u>\$ 38,482</u>	<u>\$ 277,400</u>	<u>\$ 1,761</u>	<u>\$ -</u>

Schedule C-2

<u>USDA Loan Reserve Fund</u>	<u>School Capital Reserve Fund</u>	<u>Single Family Home Grant Project</u>	<u>CDBG Scattered Site Grant Project</u>	<u>Total</u>
\$ -	\$ -	\$ 46,164	\$ 217,646	\$ 339,744
-	-	-	-	392,870
-	397	-	-	2,173
<u>-</u>	<u>397</u>	<u>46,164</u>	<u>217,646</u>	<u>734,787</u>
-	-	-	-	33,600
-	-	-	-	486,873
-	-	47,037	217,639	264,676
-	-	-	-	187,012
<u>-</u>	<u>-</u>	<u>47,037</u>	<u>217,639</u>	<u>972,161</u>
-	397	(873)	7	(237,374)
11,235	-	-	-	182,859
-	(100,000)	-	-	(100,000)
<u>11,235</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>82,859</u>
11,235	(99,603)	(873)	7	(154,515)
<u>22,470</u>	<u>109,642</u>	<u>873</u>	<u>-</u>	<u>515,909</u>
<u>\$ 33,705</u>	<u>\$ 10,039</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 361,394</u>

## GATES COUNTY, NORTH CAROLINA

## REVALUATION FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2010

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 44	\$ 44	\$ 200
<b>Expenditures:</b>				
General government	33,600	33,600	-	95,095
Revenues over (under) expenditures	(33,600)	(33,556)	44	(94,895)
<b>Other Financing Sources (Uses):</b>				
Transfers (to) from other funds	52,750	52,750	-	38,000
Contingency	(33,750)	-	33,750	-
Appropriated fund balance	14,600	-	(14,600)	-
Total other financing sources (uses)	33,600	52,750	19,150	38,000
Net change in fund balance	\$ -	19,194	\$ 19,194	(56,895)
<b>Fund Balance:</b>				
Beginning of year - July 1		19,288		76,183
End of year - June 30		\$ 38,482		\$ 19,288

## GATES COUNTY, NORTH CAROLINA

**EMERGENCY TELEPHONE SYSTEM FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009**

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Other taxes and licenses	\$ 161,400	\$ 151,991	\$ (9,409)	\$ 182,076
Investment earnings	-	1,478	1,478	3,143
Total revenues	<u>161,400</u>	<u>153,469</u>	<u>(7,931)</u>	<u>185,219</u>
<b>Expenditures:</b>				
Public safety	<u>282,120</u>	<u>245,994</u>	<u>36,126</u>	<u>84,457</u>
Revenues over (under) expenditures	<u>(120,720)</u>	<u>(92,525)</u>	<u>28,195</u>	<u>100,762</u>
<b>Other Financing Sources (Uses):</b>				
Transfer (to) from other funds	-	-	-	(130,954)
Contingency	(109,280)	-	109,280	-
Appropriated fund balance	<u>230,000</u>	-	<u>(230,000)</u>	-
Total other financing sources (uses)	<u>120,720</u>	-	<u>(120,720)</u>	<u>(130,954)</u>
Net change in fund balance	<u>\$ -</u>	<u>(92,525)</u>	<u>\$ (92,525)</u>	<u>(30,192)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>369,925</u>		<u>400,117</u>
End of year - June 30		<u>\$ 277,400</u>		<u>\$ 369,925</u>

## GATES COUNTY, NORTH CAROLINA

## FIRE PROTECTION FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2010

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Fire protection fees	\$ 255,000	\$ 240,879	\$ (14,121)	\$ 221,801
Investment earnings	-	254	254	339
Total revenues	<u>255,000</u>	<u>241,133</u>	<u>(13,867)</u>	<u>222,140</u>
<b>Expenditures:</b>				
Volunteer fire department	<u>255,000</u>	<u>240,879</u>	<u>14,121</u>	<u>221,801</u>
Net change in fund balance	<u>\$ -</u>	<u>254</u>	<u>\$ 254</u>	<u>339</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>1,507</u>		<u>1,168</u>
End of year - June 30		<u>\$ 1,761</u>		<u>\$ 1,507</u>

## GATES COUNTY, NORTH CAROLINA

COMMUNITY CENTER PROJECT  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Restricted intergovernmental revenues:				
Grant - Golden Leaf Tobacco	\$ 780,780	\$ 624,624	\$ -	\$ 624,624
Roanoke Chowan Foundation Grant	76,326	-	75,934	75,934
Investment earnings	-	4,254	-	4,254
Total revenues	<u>857,106</u>	<u>628,878</u>	<u>75,934</u>	<u>704,812</u>
<b>Expenditures:</b>				
Cultural and recreation:				
Design	45,541	45,540	-	45,540
Construction costs	735,239	591,134	128,515	719,649
Capital outlay	76,326	-	58,497	58,497
Contingency	145,000	-	-	-
Total expenditures	<u>1,002,106</u>	<u>636,674</u>	<u>187,012</u>	<u>823,686</u>
Revenues over (under) expenditures	<u>(145,000)</u>	<u>(7,796)</u>	<u>(111,078)</u>	<u>(118,874)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	<u>145,000</u>	<u>-</u>	<u>118,874</u>	<u>118,874</u>
Total other financing sources (uses)	<u>145,000</u>	<u>-</u>	<u>118,874</u>	<u>118,874</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (7,796)</u>	<u>\$ 7,796</u>	<u>\$ -</u>

## GATES COUNTY, NORTH CAROLINA

## USDA LOAN RESERVE FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2010

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	\$ 11,235	\$ 11,235	\$ -	\$ -
Transfers to other funds	-	-	-	(87,787)
Contingency	(11,235)	-	11,235	-
Total other financing sources (uses)	-	11,235	11,235	(87,787)
Net change in fund balance	\$ -	11,235	\$ 11,235	(87,787)
<b>Fund Balance:</b>				
Beginning of year - July 1		22,470		110,257
End of year - June 30		\$ 33,705		\$ 22,470

## GATES COUNTY, NORTH CAROLINA

## SCHOOL CAPITAL RESERVE FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2010

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 397	\$ 397	\$ 921
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(100,000)	(100,000)	-	-
Appropriated fund balance	100,000	-	(100,000)	-
Total other financing sources (uses)	-	(100,000)	(100,000)	-
Net change in fund balance	\$ -	(99,603)	\$ (99,603)	921
<b>Fund Balance:</b>				
Beginning of year - July 1		109,642		108,721
End of year - June 30		\$ 10,039		\$ 109,642

## GATES COUNTY, NORTH CAROLINA

**SINGLE FAMILY HOME GRANT PROJECT  
 SCHEDULE OF REVENUES AND EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 200,000	\$ 153,005	\$ 46,164	\$ 199,169
<b>Expenditures:</b>				
Economic and physical development				
Program cost	60,902	57,227	-	57,227
Relocation	13,000	13,000	-	13,000
Rehabilitation	117,353	73,570	46,914	120,484
Administration	8,745	8,335	123	8,458
Total expenditures	<u>200,000</u>	<u>152,132</u>	<u>47,037</u>	<u>199,169</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 873</u>	<u>\$ (873)</u>	<u>\$ -</u>

## GATES COUNTY, NORTH CAROLINA

**CDBG SCATTERED SITE GRANT PROJECT  
 SCHEDULE OF REVENUES AND EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Revenues:</b>				
Restricted intergovernmental	\$ 400,000	\$ 7,000	\$ 217,646	\$ 224,646
<b>Expenditures:</b>				
Economic and physical development				
Clearance	67,500	-	16,041	16,041
Relocation	285,500	-	189,414	189,414
Administration	47,000	7,000	12,184	19,184
Total expenditures	<u>400,000</u>	<u>7,000</u>	<u>217,639</u>	<u>224,639</u>
Net change in fund balance	\$ -	\$ -	\$ 7	\$ 7

## GATES COUNTY, NORTH CAROLINA

**SCHOOL CONSTRUCTION FUND  
SCHEDULE OF REVENUES AND EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
Investment earnings	\$ 330,272	\$ 329,365	\$ 1,223	\$ 330,588
<b>Expenditures:</b>				
Legal expense	12,275	12,275	-	12,275
Financing fees	3,740	3,720	-	3,720
Construction costs	6,814,257	4,625,381	2,174,328	6,799,709
Total expenditures	<u>6,830,272</u>	<u>4,641,376</u>	<u>2,174,328</u>	<u>6,815,704</u>
Revenues over (under) expenditures	(6,500,000)	(4,312,011)	(2,173,105)	(6,485,116)
<b>Other Financing Sources (Uses):</b>				
Installment purchase proceeds	<u>6,500,000</u>	<u>6,500,000</u>	<u>-</u>	<u>6,500,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,187,989</u>	<u>\$ (2,173,105)</u>	<u>\$ 14,884</u>

## GATES COUNTY, NORTH CAROLINA

## LANDFILL FUND

## SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2010

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Variance Over/Under	2009
	Budget	Actual		Actual
<b>Revenues:</b>				
Operating revenues:				
Charges for services:				
Solid waste charges	\$ 738,133	\$ 800,618	\$ 62,485	\$ 689,270
Total operating revenues	<u>738,133</u>	<u>800,618</u>	<u>62,485</u>	<u>689,270</u>
Non-operating revenues:				
Investment earnings	-	394	394	405
White goods	12,600	12,579	(21)	12,668
Scrap tire	14,200	14,143	(57)	13,719
Solid waste disposal tax	<u>11,405</u>	<u>9,786</u>	<u>(1,619)</u>	<u>4,113</u>
Total non-operating revenues	<u>38,205</u>	<u>36,902</u>	<u>(1,303)</u>	<u>30,905</u>
Total revenues	<u>776,338</u>	<u>837,520</u>	<u>61,182</u>	<u>720,175</u>
<b>Expenditures:</b>				
Landfill operations:				
Operating expenditures	<u>785,680</u>	<u>706,469</u>	<u>79,211</u>	<u>742,716</u>
Revenues over (under) expenditures	<u>(9,342)</u>	<u>131,051</u>	<u>140,393</u>	<u>(22,541)</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	<u>9,342</u>	-	<u>(9,342)</u>	-
Total other financing sources (uses)	<u>9,342</u>	-	<u>(9,342)</u>	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 131,051</u>	<u>\$ 131,051</u>	<u>\$ (22,541)</u>

## GATES COUNTY, NORTH CAROLINA

## WATER FUND

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2010

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010		Variance Over/Under	2009
	Budget	Actual		Actual
<b>Revenues:</b>				
Operating revenues:				
Water sales	\$ 810,083	\$ 896,491	\$ 86,408	\$ 935,313
Water taps and connection fees	25,000	32,750	7,750	30,500
Miscellaneous	-	2,725	2,725	2,198
Total operating revenues	<u>835,083</u>	<u>931,966</u>	<u>96,883</u>	<u>968,011</u>
Non-operating revenues:				
Grants	12,000	11,644	(356)	-
Sale of equipment	1,000	-	(1,000)	1,200
Investment earnings	10,000	8,830	(1,170)	13,721
Tax refunds	<u>1,372</u>	<u>1,611</u>	<u>239</u>	<u>1,967</u>
Total non-operating revenues	<u>24,372</u>	<u>22,085</u>	<u>(2,287)</u>	<u>16,888</u>
Total revenues	<u>859,455</u>	<u>954,051</u>	<u>94,596</u>	<u>984,899</u>
<b>Expenditures:</b>				
Water and sewer operations:				
Salaries and benefits	231,498	224,968	6,530	225,738
Operating expenditures	313,305	249,196	64,109	293,098
Capital outlay	145,738	20,000	125,738	-
Reimbursement for General Fund administration	<u>69,872</u>	<u>68,644</u>	<u>1,228</u>	<u>62,000</u>
Total operations	<u>760,413</u>	<u>562,808</u>	<u>197,605</u>	<u>580,836</u>
Debt service:				
Principal payment	136,936	136,936	-	130,427
Interest and fees	<u>53,284</u>	<u>53,284</u>	<u>-</u>	<u>59,793</u>
Total debt service	<u>190,220</u>	<u>190,220</u>	<u>-</u>	<u>190,220</u>
Total expenditures	<u>950,633</u>	<u>753,028</u>	<u>197,605</u>	<u>771,056</u>
Revenues over (under) expenditures	<u>(91,178)</u>	<u>201,023</u>	<u>292,201</u>	<u>213,843</u>

GATES COUNTY, NORTH CAROLINA

WATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2010  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2009

	2010			2009
	Budget	Actual	Variance Over/Under	Actual
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	91,178	-	(91,178)	-
Total other financing sources (uses)	91,178	-	(91,178)	-
Revenues and other financing sources over (under) expenditures and other financing use:	\$ -	201,023	\$ 201,023	\$ 213,843

**Reconciliation from Budgetary Basis  
(Modified Accrual) to Full Accrual:**

Reconciling items:

Capital outlay	57,824
Debt principal	136,936
Change in accrued vacation pay	(6,102)
Depreciation	(234,277)
Increase in other post-employment benefits	(27,560)
Total reconciling items	(73,179)

Change in net assets \$ 127,844

## GATES COUNTY, NORTH CAROLINA

## AGENCY FUNDS

## COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

## FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<b><u>Social Services</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 27,403	\$ 48,954	\$ (75,496)	\$ 861
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ 27,403	\$ 48,954	\$ (75,496)	\$ 861
<b><u>DMV Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 785	\$ 11,147	\$ (11,364)	\$ 568
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ 785	\$ 11,147	\$ (11,364)	\$ 568
<b><u>Extension Director Funds</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 19,172	\$ 5,123	\$ (3,226)	\$ 21,069
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ 19,172	\$ 5,123	\$ (3,226)	\$ 21,069
<b><u>4-H Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 67,704	\$ 10,200	\$ (11,775)	\$ 66,129
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ 67,704	\$ 10,200	\$ (11,775)	\$ 66,129
<b><u>Drainage District I</u></b>				
<b>Assets:</b>				
Receivables	\$ -	\$ 1,594	\$ (1,549)	\$ 45
<b>Liabilities:</b>				
Miscellaneous	\$ -	\$ 1,594	\$ (1,549)	\$ 45
<b><u>Drainage District II</u></b>				
<b>Assets:</b>				
Receivables	\$ -	\$ 11,156	\$ (10,766)	\$ 390
<b>Liabilities:</b>				
Miscellaneous	\$ -	\$ 11,156	\$ (10,766)	\$ 390

## GATES COUNTY, NORTH CAROLINA

## AGENCY FUNDS

## COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

## FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b><u>Drainage District III</u></b>				
<b>Assets:</b>				
Receivables	\$ -	\$ 4,428	\$ (4,348)	\$ 81
<b>Liabilities:</b>				
Miscellaneous	\$ -	\$ 4,428	\$ (4,348)	\$ 81
<b><u>Town of Gatesville</u></b>				
<b>Assets:</b>				
Receivables	\$ -	\$ 46,761	\$ (45,293)	\$ 1,467
<b>Liabilities:</b>				
Miscellaneous	\$ -	\$ 46,761	\$ (45,293)	\$ 1,467
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 115,064	\$ 75,424	\$ (101,861)	\$ 88,627
Receivables	-	63,940	(61,956)	1,983
Total assets	<u>\$ 115,064</u>	<u>\$ 139,364</u>	<u>\$ (163,817)</u>	<u>\$ 90,610</u>
<b>Liabilities:</b>				
Miscellaneous liabilities	<u>\$ 115,064</u>	<u>\$ 139,364</u>	<u>\$ (163,817)</u>	<u>\$ 90,610</u>

## GATES COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND  
JUNE 30, 2010

Fiscal Year	Uncollected Balance July 1, 2009	Additions	Collections and Credits	Uncollected Balance June 30, 2010
2009-2010	\$ -	\$ 5,982,780	\$ 5,608,434	\$ 374,346
2008-2009	385,582	-	242,545	143,037
2007-2008	109,202	-	41,484	67,718
2006-2007	57,743	-	11,108	46,635
2005-2006	42,323	-	7,991	34,332
2004-2005	35,830	-	4,143	31,687
2003-2004	25,771	-	3,409	22,362
2002-2003	29,076	-	4,119	24,957
2001-2002	23,840	-	1,269	22,571
2000-2001	26,252	-	647	25,605
1999-2000	21,989	-	21,989	-
Total	<u>\$ 757,608</u>	<u>\$ 5,982,780</u>	<u>\$ 5,947,138</u>	793,250

Plus uncollected 2009-2010 ad valorem taxes receivable - motor vehicles 465

Less: Allowance for uncollectible accounts (315,000)

Ad valorem taxes receivable - net:

General Fund \$ 478,715

**Reconciliation with Revenues:**

Taxes - ad valorem - General Fund \$ 5,984,155

Reconciling items:

Penalties and interest (3,914)

Refunds and other adjustments (54,396)

Miscellaneous adjustments (696)

Amounts written off per statute of limitations 21,989

Total collections and credits \$ 5,947,138

## GATES COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2010

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 916,109,219	\$ 0.640	\$ 5,863,099	\$ 5,395,821	\$ 467,278
Motor vehicles taxed at prior year's rate	10,783,897	0.975	105,143	-	105,143
Total	<u>926,893,116</u>		<u>5,968,242</u>	<u>5,395,821</u>	<u>572,421</u>
<b>Discoveries:</b>					
Current year taxes	<u>1,974,668</u>		<u>20,253</u>	<u>20,253</u>	<u>-</u>
<b>Abatements</b>	<u>(557,213)</u>		<u>(5,715)</u>	<u>(1,728)</u>	<u>(3,987)</u>
Total property valuation	<u>\$ 928,310,571</u>				
<b>Net Levy</b>			5,982,780	5,414,346	568,434
Uncollected taxes at June 30, 2010			<u>(374,346)</u>	<u>(273,173)</u>	<u>(101,173)</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 5,608,434</u>	<u>\$ 5,141,173</u>	<u>\$ 467,261</u>
<b>Current Levy Collection Percentage</b>			<u>93.74%</u>	<u>94.95%</u>	<u>82.20%</u>