

**GATES COUNTY
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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

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

**GATES COUNTY
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

FINANCE DIRECTOR: SANDY PITTMAN

GATES COUNTY, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Financial Section:	
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-13
	Basic Financial Statements - Overview	
	Government-Wide Financial Statements:	
A	Statement of Net Position	14
B	Statement of Activities	15-16
	Fund Financial Statements:	
C	Balance Sheet - Governmental Funds	17
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	19
F	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	20
G	Statement of Net Position - Proprietary Funds	21
H	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	22
I	Statement of Cash Flows - Proprietary Funds	23
J	Statement of Fiduciary Net Position - Fiduciary Fund	24
	Notes to the Financial Statements	25-55

GATES COUNTY, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Required Supplemental Financial Data:	
A-1	Other Post-Employment Benefits - Retiree Health Plan - Required Supplementary Information	56
A-2	Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information	57
	Supplementary Information:	
	General Fund:	
B-1	Statement of Revenues, Expenditures, and Changes in Fund Balances - Actual - General Fund Consolidated	58
B-2	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	59-65
	Revaluation Fund:	
B-3	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	66
	USDA Loan Reserve Fund:	
B-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	67
	Nonmajor Governmental Funds:	
C-1	Combining Balance Sheet	68
C-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	69
	Special Revenue Funds:	
D-1	Combining Balance Sheet - Nonmajor Special Revenue Funds	70-71
D-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	72-73

GATES COUNTY, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Special Revenue Funds (continued):	
D-3	Emergency Telephone System Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	74
D-4	Fire Protection Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	75
D-5	CDBG Scattered Site Grant Project: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	76
D-6	Homeland Security Grant: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	77
D-7	DSS Urgent Home Repair Grant: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	78
D-8	Hazard Mitigation Grant Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	79
	Nonmajor Capital Projects Funds:	
E-1	Combining Balance Sheet	80
E-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	81
E-3	Old Courthouse Restoration Project - Schedule of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual	82
E-4	Library Capital Project Fund: Schedule of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual	83

GATES COUNTY, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
F-1	Debt Service Fund: Schedule of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual	84
	Enterprise Funds:	
G-1	Landfill Fund: Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	85
G-2	Water Fund: Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	86-87
G-3	Waste Water Treatment Facility Capital Project Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	88
H-1	Fleet Management Fund: Schedule of Revenues, Expenses, and Changes In Net Position - Plan and Actual	89
	Agency Funds:	
I-1	Combining Schedule of Changes in Assets and Liabilities	90-91
	Additional Financial Data:	
J-1	Schedule of Ad Valorem Taxes Receivable - General Fund	92
J-2	Analysis of Current Tax Levy - County-Wide Levy	93

GATES COUNTY, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

<u>Schedule</u>	<u>Page</u>
Compliance Section:	
Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	94-95
Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance with OMB Circular A-133; And The State Single Audit Implementation Act	96-97
Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act	98-99
Schedule of Findings, Responses, and Questioned Costs	100-105
Summary Schedule of Prior Year's Audit Findings	106
Schedule of Expenditures of Federal and State Awards	107-110

This page left blank intentionally.

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Gates County
Gatesville, North Carolina

Report On the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gates County, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 from material misstatement. The financial statements of Gates County ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance, and the Other Post-Employment Benefits Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gates County's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated December 3, 2014, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gates County's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 3, 2014

This page left blank intentionally.

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, 2014. 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

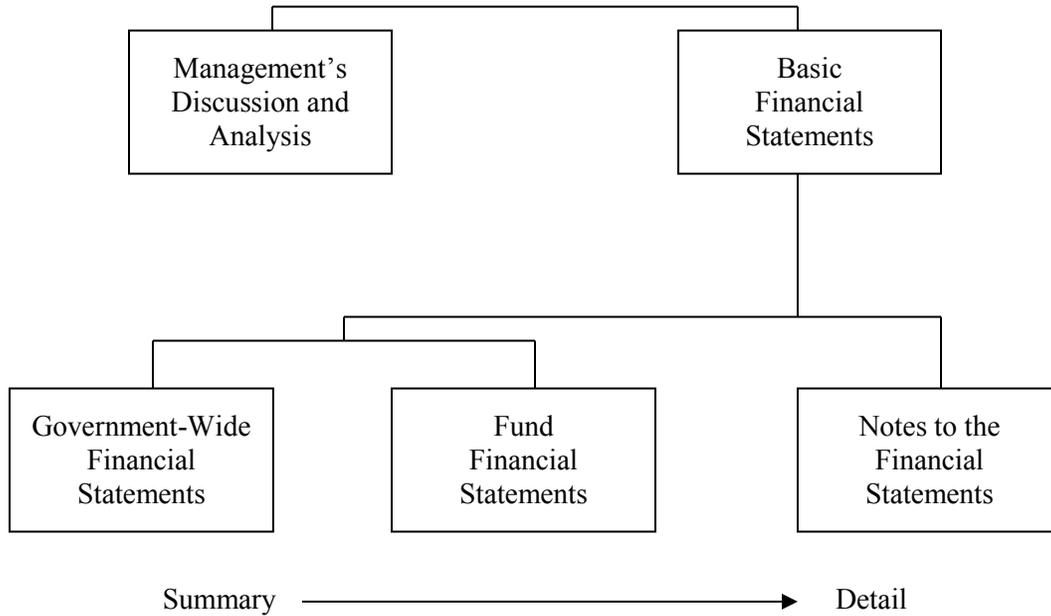
- The assets of Gates County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$10,397,381 (*net position*).
- The County's total net position increased by \$2,363,860.
- As of the close of the current fiscal year, Gates County's total governmental funds reported combined ending fund balances of \$3,886,944, an increase of \$83,516 from 2013.
- At the end of the current fiscal year, total fund balance for the General Fund was \$3,468,379, an increase of \$128,750 from 2013; \$208,346 of this fund balance amount represents fund balance for the Revaluation and USDA loan reserve funds that are consolidated into the General Fund as part of GASB 54 reporting requirements.

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 Position presents information on all of Gates County's assets, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 Position 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.

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 Position

Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets:						
Current and other assets	\$ 4,528,010	\$ 4,422,494	\$ 2,472,351	\$ 2,540,294	\$ 7,000,361	\$ 6,962,788
Capital assets	<u>6,656,062</u>	<u>5,383,867</u>	<u>5,482,614</u>	<u>5,524,413</u>	<u>12,138,676</u>	<u>10,908,280</u>
Total assets	<u>11,184,072</u>	<u>9,806,361</u>	<u>7,954,965</u>	<u>8,064,707</u>	<u>19,139,037</u>	<u>17,871,068</u>
Liabilities:						
Current liabilities	1,281,914	1,413,688	280,088	346,635	1,562,002	1,760,323
Other liabilities	<u>6,829,472</u>	<u>7,552,509</u>	<u>328,181</u>	<u>484,995</u>	<u>7,157,653</u>	<u>8,037,504</u>
Total liabilities	<u>8,111,386</u>	<u>8,966,197</u>	<u>608,269</u>	<u>831,630</u>	<u>8,719,655</u>	<u>9,797,827</u>
Deferred Inflows:						
Prepaid taxes	<u>22,001</u>	<u>39,720</u>	<u>-</u>	<u>-</u>	<u>22,001</u>	<u>39,720</u>
Total deferred inflows	<u>22,001</u>	<u>39,720</u>	<u>-</u>	<u>-</u>	<u>22,001</u>	<u>39,720</u>
Net Position:						
Net investment in						
capital assets	4,383,912	3,028,150	5,137,675	5,011,511	9,521,587	8,039,661
Restricted:						
Stabilization for State statute	1,168,174	774,524	-	-	1,168,174	774,524
All other	465,324	544,067	-	-	465,324	544,067
Unrestricted	<u>(2,966,725)</u>	<u>(3,546,297)</u>	<u>2,209,021</u>	<u>2,221,566</u>	<u>(757,704)</u>	<u>(1,324,731)</u>
Total net position	<u>\$ 3,050,685</u>	<u>\$ 800,444</u>	<u>\$ 7,346,696</u>	<u>\$ 7,233,077</u>	<u>\$ 10,397,381</u>	<u>\$ 8,033,521</u>

As noted earlier, net position, over time, may serve as a useful indicator of a government's financial position. For Gates County, assets exceeded liabilities and deferred inflows of resources by \$10,397,381 at the close of the most recent fiscal year. The County's net position increased by \$2,363,860 for the fiscal year ended June 30, 2014.

One of the largest portions of Gates County's net position reflects the County's net investment in capital assets (e.g., land, buildings, machinery and equipment). The County reported net investment in capital assets of \$9,521,587, which represents 92% of the County's total net position. Gates County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Gates County's net investment in 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 position in the amount of \$(757,704) for the government as a whole. It should be noted that the County is carrying roughly \$3.5 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 Position
Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,888,692	\$ 2,013,327	\$ 1,828,329	\$ 1,600,890	\$ 3,717,021	\$ 3,614,217
Operating grants and contributions	578,632	503,855	-	-	578,632	503,855
Capital grants and contributions	1,439,156	473,605	-	124,593	1,439,156	598,198
General revenues:						
Property taxes	6,299,043	6,076,571	-	-	6,299,043	6,076,571
Local option sales tax	1,957,872	1,849,497	-	-	1,957,872	1,849,497
Other taxes	449,579	436,620	-	-	449,579	436,620
Investment earnings	11,735	10,367	5,997	6,328	17,732	16,695
Total revenues	<u>12,624,709</u>	<u>11,363,842</u>	<u>1,834,326</u>	<u>1,731,811</u>	<u>14,459,035</u>	<u>13,095,653</u>
Expenses:						
General government	1,541,888	1,541,138	-	-	1,541,888	1,541,138
Public safety	2,141,857	2,175,952	-	-	2,141,857	2,175,952
Economic and physical development	1,098,797	1,146,265	-	-	1,098,797	1,146,265
Human services	2,195,896	2,131,079	-	-	2,195,896	2,131,079
Cultural and recreation	349,236	366,593	-	-	349,236	366,593
Education	2,718,000	2,795,023	-	-	2,718,000	2,795,023
Interest on long-term debt	244,475	268,826	-	-	244,475	268,826
Water	-	-	957,654	923,851	957,654	923,851
Landfill	-	-	847,372	724,228	847,372	724,228
Total expenses	<u>10,290,149</u>	<u>10,424,876</u>	<u>1,805,026</u>	<u>1,648,079</u>	<u>12,095,175</u>	<u>12,072,955</u>
Change in net position before transfers	2,334,560	938,966	29,300	83,732	2,363,860	1,022,698
Transfers	<u>(84,319)</u>	<u>(133,359)</u>	<u>84,319</u>	<u>133,359</u>	<u>-</u>	<u>-</u>
Change in net position after transfer	<u>2,250,241</u>	<u>805,607</u>	<u>113,619</u>	<u>217,091</u>	<u>2,363,860</u>	<u>1,022,698</u>
Net Position:						
Beginning of year - July 1	800,444	(5,163)	7,122,773	6,905,682	7,923,217	6,900,519
Prior period adjustment	<u>-</u>	<u>-</u>	<u>110,304</u>	<u>-</u>	<u>110,304</u>	<u>-</u>
Beginning of year - July 1, as restated	<u>800,444</u>	<u>(5,163)</u>	<u>7,233,077</u>	<u>6,905,682</u>	<u>8,033,521</u>	<u>6,900,519</u>
End of year - June 30	<u>\$ 3,050,685</u>	<u>\$ 800,444</u>	<u>\$ 7,346,696</u>	<u>\$ 7,122,773</u>	<u>\$ 10,397,381</u>	<u>\$ 7,923,217</u>

Governmental Activities. Governmental activities increased the County's net position by \$2,250,241. Key elements of this increase are as follows:

- Increases in property and local option sales taxes over fiscal year 2013 amounts
- Capital grants and contributions in the current year of roughly \$1,440,000

Business-Type Activities. Business-type activities increased Gates County's net position by \$113,619. Key elements of this increase are as follows:

- Water Fund reported operating income of \$117,776 in the current year, compared to roughly \$12,000 in the prior year revenues increased while expenses were held constant.

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, unassigned 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 \$3,886,944, an increase of \$83,516 in comparison with 2013. This increase is attributable primarily to increased fund balance in the General Fund.

The General Fund is the principal operating fund of Gates County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,206,332 while total fund balance for the General Fund was \$3,468,379. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24.3% of total General Fund expenditures, while total fund balance represents 38.2% of that same amount. It should be noted that these percentages are higher than prior year percentages given the fact that expenditures in the General Fund have decreased based upon the fact that debt is now being paid out of the Debt Service Fund. Available fund balance, which is total fund balance less non-spendable fund balance less stabilization by State statute amounts, totaled \$2,419,777 for the General Fund.

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 \$210,000 (2%).

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 position at June 30, 2014 was \$321,607 and \$1,887,414 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 \$12,138,676 (net of accumulated depreciation) as of June 30, 2014. These assets include land buildings, other improvements, equipment, vehicles, and plant and systems.

Gates County's Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,138,007	\$ 362,237	\$ 27,476	\$ 27,476	\$ 1,165,483	\$ 389,713
Construction in progress	192,887	1,350,787	1,139,950	971,311	1,332,837	2,322,098
Buildings	5,795,252	4,176,735	-	-	5,795,252	4,176,735
Other improvements	608,306	420,006	-	-	608,306	420,006
Equipment	945,576	927,426	437,041	440,289	1,382,617	1,367,715
Vehicles	1,114,388	992,466	206,244	202,530	1,320,632	1,194,996
Plant and systems	-	-	9,140,453	9,140,453	9,140,453	9,140,453
Subtotal	9,794,416	8,229,657	10,951,164	10,782,059	20,745,580	19,011,716
Less accumulated depreciation	<u>(3,138,354)</u>	<u>(2,845,790)</u>	<u>(5,468,550)</u>	<u>(5,257,646)</u>	<u>(8,606,904)</u>	<u>(8,103,436)</u>
Total	<u>\$ 6,656,062</u>	<u>\$ 5,383,867</u>	<u>\$ 5,482,614</u>	<u>\$ 5,524,413</u>	<u>\$ 12,138,676</u>	<u>\$ 10,908,280</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 Obligations

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Notes payable	\$ 5,738,817	\$ 7,001,290	\$ 344,939	\$ 512,902	\$ 6,083,756	\$ 7,514,192
Compensated absences	239,886	233,546	25,978	27,700	265,864	261,246
LEO	151,542	140,923	-	-	151,542	140,923
OPEB	1,594,931	1,358,154	134,709	115,056	1,729,640	1,473,210
Total	<u>\$ 7,725,176</u>	<u>\$ 8,733,913</u>	<u>\$ 505,626</u>	<u>\$ 655,658</u>	<u>\$ 8,230,802</u>	<u>\$ 9,389,571</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Gates County is \$71,744,294.

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

- The tax rate, which was set in FY 2009-2010, has remained unchanged again for this budget year.
- The County has continued the use of its Capital Improvement Plan to address capital and physical plant improvements for the use and enjoyment of the public.
- Gates County's July 2014 unemployment rate stands at 7.1%.

All of these factors were considered in preparing Gates County's budget for the 2014-2015 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities. During FY2014-2015, Gates County will continue to control the cost of government while growing revenue through property tax base growth. The County will strive for continuous improvement in all governmental service areas and update fiscal policies as appropriate.

Enterprise Activities. In FY 2014-2015 the Water Fund became the Water and Sewer Fund with sewer rates being established for the sewer system in the County. Solid Waste will continue to remain steady with no rate increase planned. Operation and maintenance of the respective systems (water, sewer, and solid waste) will continue.

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 POSITION
JUNE 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Gates County ABC Board
Assets:				
Current assets:				
Cash and cash equivalents	\$ 2,957,377	\$ 2,084,941	\$ 5,042,318	\$ 376,006
Taxes receivable, net	303,763	-	303,763	-
Accounts receivable, net	320,506	333,319	653,825	-
Due from other governments	767,464	11,824	779,288	-
Inventory	-	42,267	42,267	57,153
Prepaid items	-	-	-	1,533
Total current assets	<u>4,349,110</u>	<u>2,472,351</u>	<u>6,821,461</u>	<u>434,692</u>
Non-current assets:				
Restricted assets:				
Cash and cash equivalents, restricted	178,900	-	178,900	-
Capital assets:				
Non-depreciable capital assets	1,330,894	1,167,426	2,498,320	-
Depreciable capital assets, net	<u>5,325,168</u>	<u>4,315,188</u>	<u>9,640,356</u>	<u>329,110</u>
Total non-current assets	<u>6,834,962</u>	<u>5,482,614</u>	<u>12,317,576</u>	<u>329,110</u>
Total assets	<u>11,184,072</u>	<u>7,954,965</u>	<u>19,139,037</u>	<u>763,802</u>
Liabilities, Deferred Inflows of Resources, and Net Position:				
Liabilities:				
Accounts payable and accrued expenses	386,210	102,643	488,853	34,469
Current portion of compensated absences	59,972	6,495	66,467	-
Current portion of long-term liabilities	<u>835,732</u>	<u>170,950</u>	<u>1,006,682</u>	<u>-</u>
Total current liabilities	1,281,914	280,088	1,562,002	34,469
Long-term liabilities:				
Due in more than one year	<u>6,829,472</u>	<u>328,181</u>	<u>7,157,653</u>	<u>-</u>
Total liabilities	<u>8,111,386</u>	<u>608,269</u>	<u>8,719,655</u>	<u>34,469</u>
Deferred Inflows of Resources:				
Prepaid taxes	<u>22,001</u>	<u>-</u>	<u>22,001</u>	<u>-</u>
Net Position:				
Net investment in capital assets	4,383,912	5,137,675	9,521,587	329,110
Restricted:				
Stabilization for State statute	1,168,174	-	1,168,174	-
All other	465,324	-	465,324	12,350
Capital improvements	-	-	-	293,183
Unrestricted	<u>(2,966,725)</u>	<u>2,209,021</u>	<u>(757,704)</u>	<u>94,690</u>
Total net position	<u>\$ 3,050,685</u>	<u>\$ 7,346,696</u>	<u>\$ 10,397,381</u>	<u>\$ 729,333</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, 2014**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 1,541,888	\$ 242,845	\$ -	\$ -
Public safety	2,141,857	90,244	96,799	1,043,500
Economic and physical development	1,098,797	20,618	423,567	277,876
Human services	2,195,896	1,534,985	58,266	-
Cultural and recreational	349,236	-	-	-
Education	2,718,000	-	-	117,780
Interest on long-term debt	244,475	-	-	-
Total governmental activities	<u>10,290,149</u>	<u>1,888,692</u>	<u>578,632</u>	<u>1,439,156</u>
Business-Type Activities:				
Landfill Fund	847,372	760,986	-	-
Water Fund	957,654	1,067,343	-	-
Total business-type activities	<u>1,805,026</u>	<u>1,828,329</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 12,095,175</u>	<u>\$ 3,717,021</u>	<u>\$ 578,632</u>	<u>\$ 1,439,156</u>
Component Unit:				
ABC Board	<u>\$ 434,045</u>	<u>\$ 414,490</u>	<u>\$ 79,383</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Investment earnings, unrestricted

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net Position:

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Gates County ABC Board
\$ (1,299,043)	\$ -	\$ (1,299,043)	
(911,314)	-	(911,314)	
(376,736)	-	(376,736)	
(602,645)	-	(602,645)	
(349,236)	-	(349,236)	
(2,600,220)	-	(2,600,220)	
(244,475)	-	(244,475)	
<u>(6,383,669)</u>	<u>-</u>	<u>(6,383,669)</u>	
-	(86,386)	(86,386)	
-	109,689	109,689	
-	23,303	23,303	
<u>(6,383,669)</u>	<u>23,303</u>	<u>(6,360,366)</u>	
			<u>\$ 59,828</u>
6,299,043	-	6,299,043	-
1,957,872	-	1,957,872	-
449,579	-	449,579	-
11,735	5,997	17,732	138
8,718,229	5,997	8,724,226	138
<u>(84,319)</u>	<u>84,319</u>	<u>-</u>	<u>-</u>
8,633,910	90,316	8,724,226	138
<u>2,250,241</u>	<u>113,619</u>	<u>2,363,860</u>	<u>59,966</u>
800,444	7,122,773	7,923,217	669,367
-	110,304	110,304	-
<u>800,444</u>	<u>7,233,077</u>	<u>8,033,521</u>	<u>669,367</u>
<u>\$ 3,050,685</u>	<u>\$ 7,346,696</u>	<u>\$ 10,397,381</u>	<u>\$ 729,333</u>

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

GATES COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 2,493,192	\$ -	\$ 464,185	\$ 2,957,377
Taxes receivable, net	303,763	-	-	303,763
Accounts receivable, net	204,187	-	116,319	320,506
Due from other governments	763,933	-	3,253	767,186
Due from other funds	80,482	-	-	80,482
Cash and cash equivalents, restricted	178,900	-	-	178,900
Total assets	<u>\$ 4,024,457</u>	<u>\$ -</u>	<u>\$ 583,757</u>	<u>\$ 4,608,214</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 230,314	\$ -	\$ 84,752	\$ 315,066
Due to other funds	-	-	80,440	80,440
Total liabilities	<u>230,314</u>	<u>-</u>	<u>165,192</u>	<u>395,506</u>
Deferred Inflows of Resources:				
Property taxes receivable	303,763	-	-	303,763
Prepaid taxes	22,001	-	-	22,001
Total deferred inflows of resources	<u>325,764</u>	<u>-</u>	<u>-</u>	<u>325,764</u>
Fund Balances:				
Restricted:				
Stabilization for State statute	1,048,602	-	119,572	1,168,174
Restricted, all other	178,900	-	286,424	465,324
Committed	-	-	156,137	156,137
Assigned	34,545	-	-	34,545
Unassigned	2,206,332	-	(143,568)	2,062,764
Total fund balances	<u>3,468,379</u>	<u>-</u>	<u>418,565</u>	<u>3,886,944</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,024,457</u>	<u>\$ -</u>	<u>\$ 583,757</u>	

Amounts reported for governmental activities in the Statement of Net Position (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. 6,656,062

Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net assets in the Statement of Net Position. 303,763

Long-term liabilities, accrued interest, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (7,796,320)

The assets and liabilities of the Internal Service Fund is included in the governmental activities in the Statement of Net Position 236

Net position of governmental activities, per Exhibit A \$ 3,050,685

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, 2014**

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 6,342,342	\$ -	\$ -	\$ 6,342,342
Local option sales taxes	1,957,872	-	-	1,957,872
Other taxes and licenses	24,470	-	363,842	388,312
Unrestricted intergovernmental revenues	61,267	-	-	61,267
Restricted intergovernmental revenues	2,184,464	-	330,335	2,514,799
Permits and fees	90,449	-	-	90,449
Sales and services	197,457	-	-	197,457
Investment earnings	10,867	-	868	11,735
Miscellaneous	60,275	-	-	60,275
Total revenues	<u>10,929,463</u>	<u>-</u>	<u>695,045</u>	<u>11,624,508</u>
Expenditures:				
Current:				
General government	1,668,021	-	192,887	1,860,908
Public safety	1,501,666	-	475,573	1,977,239
Economic and physical development	820,084	-	271,123	1,091,207
Human services	2,051,378	-	-	2,051,378
Cultural and recreational	322,134	-	-	322,134
Education	2,718,000	-	-	2,718,000
Debt service:				
Principal	1,757	1,260,719	-	1,262,476
Interest	66	173,265	-	173,331
Total expenditures	<u>9,083,106</u>	<u>1,433,984</u>	<u>939,583</u>	<u>11,456,673</u>
Revenues over (under) expenditures	<u>1,846,357</u>	<u>(1,433,984)</u>	<u>(244,538)</u>	<u>167,835</u>
Other Financing Sources (Uses):				
Transfers from other funds	150,696	1,433,984	350,000	1,934,680
Transfer to other funds	<u>(1,868,303)</u>	<u>-</u>	<u>(150,696)</u>	<u>(2,018,999)</u>
Total other financing sources (uses)	<u>(1,717,607)</u>	<u>1,433,984</u>	<u>199,304</u>	<u>(84,319)</u>
Net change in fund balances	128,750	-	(45,234)	83,516
Fund Balances:				
Beginning of year - July 1	<u>3,339,629</u>	<u>-</u>	<u>463,799</u>	<u>3,803,428</u>
End of year - June 30	<u>\$ 3,468,379</u>	<u>\$ -</u>	<u>\$ 418,565</u>	<u>\$ 3,886,944</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, 2014**

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

Net changes in fund balances - total governmental funds (Exhibit B) \$ 83,516

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 90 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 (43,299)

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. 1,624,642

Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement. (352,447)

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.) 1,262,476

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. (236,777)

The change in the accrued interest liability account is reported as an expense in the entity-wide financial statements. However, it is not an expenditure in the governmental funds statement. (71,144)

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. (16,962)

The net revenue of the Internal Service Fund is reported with governmental activities 236

Total changes in Net Position of governmental activities \$ 2,250,241

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, 2014**

	General Fund			Variance from Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 6,317,560	\$ 6,317,560	\$ 6,342,342	\$ 24,782
Local option sales taxes	1,809,303	1,865,303	1,957,872	92,569
Other taxes and licenses	17,500	26,500	24,470	(2,030)
Unrestricted intergovernmental revenues	54,100	59,100	61,267	2,167
Restricted intergovernmental revenues	2,160,104	2,257,793	2,184,464	(73,329)
Permits and fees	106,500	106,500	90,449	(16,051)
Sales and services	250,215	262,144	197,457	(64,687)
Investment earnings	8,000	8,000	10,867	2,867
Miscellaneous	34,200	64,643	60,275	(4,368)
Total revenues	<u>10,757,482</u>	<u>10,967,543</u>	<u>10,929,463</u>	<u>(38,080)</u>
Expenditures:				
Current:				
General government	1,624,665	1,790,388	1,668,021	122,367
Public safety	1,485,541	1,600,473	1,501,666	98,807
Economic and physical development	924,491	947,079	820,084	126,995
Human services	2,015,396	2,105,209	2,051,378	53,831
Cultural and recreational	322,135	322,135	322,134	1
Intergovernmental:				
Education	2,718,000	2,718,000	2,718,000	-
Debt service:				
Principal retirement	1,758	1,758	1,757	1
Interest and other charges	66	66	66	-
Total expenditures	<u>9,092,052</u>	<u>9,485,108</u>	<u>9,083,106</u>	<u>402,002</u>
Revenues over (under) expenditures	<u>1,665,430</u>	<u>1,482,435</u>	<u>1,846,357</u>	<u>363,922</u>
Other Financing Sources (Uses):				
Transfers from other funds	18,320	169,016	169,016	-
Transfers to other funds	(1,683,750)	(2,276,850)	(1,902,053)	374,797
Appropriated fund balance	-	625,399	-	(625,399)
Total other financing sources (uses)	<u>(1,665,430)</u>	<u>(1,482,435)</u>	<u>(1,733,037)</u>	<u>(250,602)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	113,320	<u>\$ 113,320</u>
Fund Balance:				
Beginning of year - July 1			<u>3,146,713</u>	
End of year - June 30			<u>\$ 3,260,033</u>	

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Major			Internal Service Fund
	Enterprise Funds			
	Landfill Fund	Water Fund	Total	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 219,033	\$ 1,865,908	\$ 2,084,941	\$ -
Receivables, net	188,072	145,247	333,319	-
Due from other governments	138	11,686	11,824	278
Inventories	-	42,267	42,267	-
Total current assets	<u>407,243</u>	<u>2,065,108</u>	<u>2,472,351</u>	<u>278</u>
Capital assets:				
Land, improvements, and construction in progress	-	1,167,426	1,167,426	-
Other capital assets, net of depreciation	10,789	4,304,399	4,315,188	-
Total capital assets	<u>10,789</u>	<u>5,471,825</u>	<u>5,482,614</u>	<u>-</u>
Total assets	<u>418,032</u>	<u>7,536,933</u>	<u>7,954,965</u>	<u>278</u>
Liabilities:				
Current liabilities:				
Accounts payable	85,636	17,007	102,643	-
Due to other funds	-	-	-	42
Current portion of compensated absences	-	6,495	6,495	-
Current portion of notes payable	-	170,950	170,950	-
Total current liabilities	<u>85,636</u>	<u>194,452</u>	<u>280,088</u>	<u>42</u>
Non-current liabilities:				
Compensated absences	-	19,483	19,483	-
Notes payable	-	173,989	173,989	-
Other post-employment benefits	-	134,709	134,709	-
Total non-current liabilities	<u>-</u>	<u>328,181</u>	<u>328,181</u>	<u>-</u>
Total liabilities	<u>85,636</u>	<u>522,633</u>	<u>608,269</u>	<u>42</u>
Net Position:				
Net investment in capital assets	10,789	5,126,886	5,137,675	-
Unrestricted	<u>321,607</u>	<u>1,887,414</u>	<u>2,209,021</u>	<u>236</u>
Total net position	<u>\$ 332,396</u>	<u>\$ 7,014,300</u>	<u>\$ 7,346,696</u>	<u>\$ 236</u>

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION- PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Major			Internal Service Fund
	Enterprise Funds			
	Landfill Fund	Water Fund	Total	
Operating Revenues:				
Charges for services	\$ 719,926	\$ 1,050,260	\$ 1,770,186	\$ 8,447
Water and sewer taps	-	13,250	13,250	-
Miscellaneous	41,060	3,583	44,643	-
Total operating revenues	<u>760,986</u>	<u>1,067,093</u>	<u>1,828,079</u>	<u>8,447</u>
Operating Expenses:				
Water operations	-	714,959	714,959	-
Landfill operations	844,707	-	844,707	-
Fleet maintenance	-	-	-	8,211
Depreciation	2,665	234,358	237,023	-
Total operating expenses	<u>847,372</u>	<u>949,317</u>	<u>1,796,689</u>	<u>8,211</u>
Operating income (loss)	<u>(86,386)</u>	<u>117,776</u>	<u>31,390</u>	<u>236</u>
Non-Operating Revenues (Expenses):				
Investment earnings	725	5,272	5,997	-
Interest expense	-	(8,337)	(8,337)	-
Gain on sale of assets	-	250	250	-
Total non-operating revenues (expenses)	<u>725</u>	<u>(2,815)</u>	<u>(2,090)</u>	<u>-</u>
Net income (loss) before transfers	(85,661)	114,961	29,300	236
Transfers (to) from other funds	-	84,319	84,319	-
Change in net position	<u>(85,661)</u>	<u>199,280</u>	<u>113,619</u>	<u>236</u>
Net Position:				
Beginning of year - July 1	386,703	6,736,070	7,122,773	-
Prior period adjustment	31,354	78,950	110,304	-
Beginning of year - July 1 as restated	<u>418,057</u>	<u>6,815,020</u>	<u>7,233,077</u>	<u>-</u>
End of year - June 30	<u>\$ 332,396</u>	<u>\$ 7,014,300</u>	<u>\$ 7,346,696</u>	<u>\$ 236</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, 2014

	<u>Major</u>			<u>Internal Service Fund</u>
	<u>Enterprise Funds</u>			
	<u>Landfill Fund</u>	<u>Water Fund</u>	<u>Total</u>	
Cash Flows from Operating Activities:				
Cash received from customers	\$ 689,416	\$ 1,071,722	\$ 1,761,138	\$ 8,169
Cash paid for goods and services	(921,270)	(418,073)	(1,339,343)	(8,211)
Cash paid to employees for services	-	(297,542)	(297,542)	-
Other operating revenues	41,060	3,583	44,643	-
Net cash provided (used) by operating activities	<u>(190,794)</u>	<u>359,690</u>	<u>168,896</u>	<u>(42)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	(195,224)	(195,224)	-
Principal paid on bond maturities and equipment contracts	-	(167,963)	(167,963)	-
Interest paid on bond maturities equipment contracts	-	(8,337)	(8,337)	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(371,524)</u>	<u>(371,524)</u>	<u>-</u>
Cash Flows from Non-Capital and Related Activities:				
Grants	-	250	250	-
Operating transfers (in) out	-	84,319	84,319	-
Due (to) from other funds	-	-	-	42
Net cash provided (used) by non-capital and related financing activities	<u>-</u>	<u>84,569</u>	<u>84,569</u>	<u>42</u>
Cash Flows from Investing Activities:				
Interest on investments	725	5,272	5,997	-
Net increase (decrease) in cash and cash equivalents	<u>(190,069)</u>	<u>78,007</u>	<u>(112,062)</u>	<u>-</u>
Cash and Cash Equivalents:				
Beginning of year - July 1	409,102	1,787,901	2,197,003	-
End of year - June 30	<u>\$ 219,033</u>	<u>\$ 1,865,908</u>	<u>\$ 2,084,941</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (86,386)	\$ 117,776	\$ 31,390	\$ 236
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	2,665	234,358	237,023	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(30,510)	8,212	(22,298)	(278)
(Increase) decrease in inventory	-	(21,821)	(21,821)	-
Increase (decrease) in accounts payable and accrued liabilities	(76,563)	1,512	(75,051)	-
Increase (decrease) in OPEB payable	-	19,653	19,653	-
Total adjustments	<u>(104,408)</u>	<u>241,914</u>	<u>137,506</u>	<u>(278)</u>
Net cash provided (used) by operating activities	<u>\$ (190,794)</u>	<u>\$ 359,690</u>	<u>\$ 168,896</u>	<u>\$ (42)</u>

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

JUNE 30, 2014

	<u>Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ 452
Receivables	<u>2,886</u>
Total assets	<u>\$ 3,338</u>
Liabilities:	
Miscellaneous liabilities	<u>\$ 3,338</u>
Total liabilities	<u>\$ 3,338</u>

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

This page left blank intentionally.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Significant Accounting Policies

The accounting policies of Gates 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

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. 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. GASB Statements define component units as legally separate organizations for which the elected officials of the primary government are financially accountable if it appoints a voting majority of the organization's governing body and a) it is able to impose its will on that organization, or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens upon, the primary government. 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.

This statement provides two methods for reporting component units in the financial statements of the primary government: discrete presentation and blending. Discrete presentation means that data will be presented in one or more separate columns to the right of the primary government data columns. Blending means that the component unit's financial data is reported as though the unit is part of the primary government. If the units provide services or benefits exclusively, or almost exclusively, to the primary government, or if the component units and the primary government have “substantively identical boards”, the legally separate component units should be incorporated by blending. If the units do not meet these criteria, their data should be incorporated by discrete presentation.

Based on evaluating these characteristics, the following is a brief review of the component unit in the County's reporting entity:

Gates County Alcoholic Beverage Control Board

The Gates County Alcoholic Beverage Control Board (“ABC Board”) is governed by a three-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 (discrete presentation).

Complete financial statements for the ABC Board may be obtained at Gates County ABC Board, P.O. Box 88, Edenton, North Carolina 27932.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

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. The Tax Revaluation Fund and the USDA loan funds are legally budgeted funds under North Carolina General Statutes; however, for statement presentation in accordance with GASB No. 54, they are consolidated in the General Fund.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Debt Service Fund. This fund is used to account for expenditures of principal and interest on governmental activity debt. The other governmental fund types provide the resources to the Debt Service Fund to make the payments through operating transfers.

The County reports all of its enterprise funds as major:

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

Water and Sewer Fund. This fund is used to account for the operations of the County's water and sewer systems.

The County reports the following fund types:

Special Revenue Funds. Special revenue funds account for specific revenue sources that are legally restricted to expenditures for specified purposes. The County maintains the following special revenue funds: Emergency Telephone System Fund, Fire Protection Fund, CDBG Scattered Site Grant Project, Homeland Security Grant, DSS Urgent Home Repair Grant, and the Hazard Mitigation Grant Fund.

Capital Project Funds. Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The County maintains the following capital project funds: Old Courthouse Restoration Project and the Library Capital Project Fund.

Internal Service Funds. Internal service funds are used to account for goods or services provided by one department to other departments of the County on a cost-reimbursement basis. The County has one Internal Service Fund, the Fleet Management Fund.

Agency Funds. Agency funds are custodial in nature and do not involve measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains six agency funds: Social Services Fund, which accounts for monies deposited with the Social Services Department for the benefit of certain individuals; Drainage District I Fund, Drainage District II Fund, Drainage District III Fund, DMV Fund, and the Town of Gatesville Agency Fund.

C. Measurement Focus, Basis of Accounting

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds, which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. 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.

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 positions 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 general revenues.

D. Budgetary Data

The County's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund, the Tax Revaluation Fund, the USDA Loan Reserve Fund, the Emergency Telephone System Fund, the Fire Protection Fund, and the enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the remaining special revenue funds and the capital project funds.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year project funds. Transfers of appropriations between funds may be made only by the Board. Transfers of appropriations between functional areas in a fund or from contingency shall be approved by the Board, but may be approved by the County Manager or the Finance Officer if they are consistent with operational needs and do not exceed 10% of the total department budget. During the year, amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

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. Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. Also, cash related to the Register of Deed's Automation Enhancement Project is classified as restricted cash, as its use is restricted by State Statute.

Restricted cash is comprised of the following:

Governmental Activities:

General Fund:

Tax revaluation	\$ 173,801
Register of Deeds	<u>5,099</u>
Total restricted cash	<u>\$ 178,900</u>

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, 2013.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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.

Inventories

The inventories of the County are valued at cost (first-in, first-out), which approximates market values. The County's Water Fund inventory consists of expendable supplies that consist of materials and supplies held for consumption or resale. The cost of the inventory carried in the Water Fund is recorded as an expense as it is consumed or sold.

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.

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has no items that meet this criterion. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has two items that meet this criterion, prepaid taxes and property taxes receivable.

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. 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 Position.

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.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Stabilization for State Statute – portion of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

Restricted for Register of Deeds – portion of fund balance restricted by State statute for automation enhancement (software) improvements.

Restricted for General Government – portion of fund balance that is restricted by revenue source for general government administration.

Restricted for Public Safety – portion of fund balance restricted by revenue source for public safety related activities, such as police, fire, EMS, and E-911.

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Restricted fund balance at June 30, 2014 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted, All Other:			
Register of Deeds	\$ 5,099	\$ -	\$ 5,099
General government	173,801	-	173,801
Public safety	-	286,424	286,424
Total	<u>\$ 178,900</u>	<u>\$ 286,424</u>	<u>\$ 465,324</u>

Committed Fund Balance: This classification represents the portion of fund balance that can only be used for specific purposes determined by a formal action of the government’s highest level of decision making authority. The Board of Commissioners is the highest level of decision-making authority for the government that can, by an adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Capital Improvements – portion of fund balance that can only be used for future capital improvements.

Assigned Fund Balance: Assigned fund balance is the portion of fund balance that Gates County intends to use for specific purposes. The County's governing body has the authority to assign fund balance. The Manager and the Finance Officer, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

Assigned for Debt Service – portion of fund balance budgeted by the Board to be used to service outstanding debt.

Unassigned Fund Balance: Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund.

Gates County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, Federal funds, State funds, local non-County funds, and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance.

The County has not officially adopted a fund balance policy.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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

Total fund balance - General Fund	\$	3,468,379
Less:		
Stabilization by State statute		<u>(1,048,602)</u>
Total available fund balance	\$	<u><u>2,419,777</u></u>

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund to the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds

A legally budgeted Tax Revaluation Fund and USDA Loan Reserve Fund are consolidated into the General Fund for reporting purposes on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds (Exhibit D). Fund balance for the General Fund is reconciled as follows:

Fund balance, ending - Exhibit F	\$	3,260,033
Tax Revaluation Fund:		
Transfer in		33,750
Fund balance, beginning		140,051
USDA Loan Fund:		
Transfer in (out)		(18,320)
Fund balance, beginning		<u>52,865</u>
Fund balance, ending - Exhibit D	\$	<u><u>3,468,379</u></u>

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.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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. Detail Notes on All Funds

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 agent in the County's name. 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 the County's agent in the County's name. 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 State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County has no policy regarding custodial credit risk for deposits.

At June 30, 2014, the County's bank deposits had a carrying amount of \$5,170,813 and a bank balance of \$5,435,624. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$5,185,624 was covered by the Pooling Method. At June 30, 2014, Gates County had \$750 cash on hand.

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Investments

At June 30, 2014, the County had the following investments and maturities:

Investment Type	Rating	Fair Value
North Carolina Capital Management Trust - Cash Portfolio	AAAm	\$ 50,107
Total investments		\$ 50,107

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.

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, 2014.

3. 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. The following are property taxes that could become if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Ending June 30	Valuation	Deferred Tax
2011	\$ 203,885,124	\$ 1,304,865
2012	202,992,792	1,299,154
2013	208,787,436	1,336,240
2014	209,310,852	1,339,590
Total	\$ 824,976,204	\$ 5,279,849

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

4. Receivables

Receivables at Exhibit A at June 30, 2014, were as follows:

<u>Type of Receivable</u>	<u>Amount (Net of Allowance)</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts Receivable:			
Taxes receivable	\$ 303,763	\$ -	\$ 303,763
Accounts receivable	320,506	-	320,506
Customer/client billings	-	333,319	333,319
Total	<u>\$ 624,269</u>	<u>\$ 333,319</u>	<u>\$ 957,588</u>
Due from Other Governments:			
Local option sales tax	\$ 455,148	\$ -	\$ 455,148
Sales tax refund	23,178	11,824	35,002
All other	289,138	-	289,138
Total	<u>\$ 767,464</u>	<u>\$ 11,824</u>	<u>\$ 779,288</u>

Allowances for Doubtful Accounts

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

<u>Fund</u>	<u>Allowance</u>
Governmental Activities:	
Property taxes - General Fund	\$ 271,199
Total	<u>\$ 271,199</u>
Business-Type Activities:	
Landfill Fund	\$ 81,171
Water Fund	62,444
Total	<u>\$ 143,615</u>

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

5. Capital Assets

Governmental Capital Assets

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

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2014</u>
Governmental Activities					
Non-Depreciable Assets:					
Land	\$ 362,237	\$ 775,770	\$ -	\$ -	\$ 1,138,007
Construction in progress	<u>1,350,787</u>	<u>192,887</u>	<u>-</u>	<u>(1,350,787)</u>	<u>192,887</u>
Total non-depreciable assets	<u>1,713,024</u>	<u>968,657</u>	<u>-</u>	<u>(1,350,787)</u>	<u>1,330,894</u>
Depreciable Assets:					
Buildings	4,176,735	267,730	-	1,350,787	5,795,252
Other improvements	420,006	188,300	-	-	608,306
Equipment	927,426	18,150	-	-	945,576
Vehicles and motorized equipment	<u>992,466</u>	<u>181,805</u>	<u>(59,883)</u>	<u>-</u>	<u>1,114,388</u>
Total depreciable assets	<u>6,516,633</u>	<u>655,985</u>	<u>(59,883)</u>	<u>1,350,787</u>	<u>8,463,522</u>
Less Accumulated Depreciation:					
Buildings	1,641,618	136,677	-	-	1,778,295
Other improvements	57,514	18,342	-	-	75,856
Equipment	478,165	75,788	-	-	553,953
Vehicles and motorized equipment	<u>668,493</u>	<u>121,640</u>	<u>(59,883)</u>	<u>-</u>	<u>730,250</u>
Total accumulated depreciation	<u>2,845,790</u>	<u>352,447</u>	<u>(59,883)</u>	<u>-</u>	<u>3,138,354</u>
Depreciable capital assets, net	<u>3,670,843</u>	<u>\$ 303,538</u>	<u>\$ -</u>	<u>\$ 1,350,787</u>	<u>5,325,168</u>
Capital assets, net	<u>\$ 5,383,867</u>				<u>\$ 6,656,062</u>

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

Governmental Activities:	
General government	\$ 63,440
Public safety	81,063
Human services	109,259
Economic and physical development	74,014
Cultural and recreational	<u>24,671</u>
Total	<u>\$ 352,447</u>

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2014, are as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
Water Fund:				
Non-Depreciable Assets:				
Land	\$ 27,476	\$ -	\$ -	\$ 27,476
Construction in progress	971,311	168,639	-	1,139,950
Total non-depreciable assets	998,787	168,639	-	1,167,426
Depreciable Assets:				
Plant and systems	9,134,858	-	-	9,134,858
Furniture and maintenance equipment	440,289	-	(3,248)	437,041
Vehicles	192,007	26,585	(22,871)	195,721
Total depreciable assets	9,767,154	26,585	(26,119)	9,767,620
Less Accumulated Depreciation:				
Plant and distribution systems	4,748,577	183,270	-	4,931,847
Furniture and maintenance equipment	352,286	31,010	(3,248)	380,048
Vehicles	154,119	20,078	(22,871)	151,326
Total accumulated depreciation	5,254,982	\$ 234,358	\$ (26,119)	5,463,221
Depreciable capital assets, net	4,512,172			4,304,399
Water Fund capital assets, net	5,510,959			5,471,825

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
Landfill Fund:				
Depreciable Assets:				
Plant and systems	5,595	\$ -	\$ -	5,595
Vehicles	<u>10,523</u>	<u>-</u>	<u>-</u>	<u>10,523</u>
Total depreciable assets	<u>16,118</u>	<u>-</u>	<u>-</u>	<u>16,118</u>
Less Accumulated Depreciation:				
Plant and distribution systems	560	560	-	1,120
Vehicles	<u>2,104</u>	<u>2,105</u>	<u>-</u>	<u>4,209</u>
Total accumulated depreciation	<u>2,664</u>	<u>\$ 2,665</u>	<u>\$ -</u>	<u>5,329</u>
 Landfill capital assets, net	 <u>13,454</u>			 <u>10,789</u>
 Business-type activities capital assets, net	 <u>\$ 5,524,413</u>			 <u>\$ 5,482,614</u>

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2014 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 6,656,062	\$ 5,482,614
Long-term debt, County owned assets	<u>2,272,150</u>	<u>344,939</u>
Net investment in capital assets	<u>\$ 4,383,912</u>	<u>\$ 5,137,675</u>

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

6. Accounts Payable and Accrued Expenses

Disaggregation Information

Total payables at the government-wide level as of June 30, 2014:

<u>Type of Payable</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Trade payables	\$ 315,066	\$ 102,643	\$ 417,709
Accrued interest	71,144	-	71,144
Total	<u>\$ 386,210</u>	<u>\$ 102,643</u>	<u>\$ 488,853</u>

7. Pension Plan Obligation

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.

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 7.07% and 7.28%, 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, 2014, 2013, and 2012 were \$316,439, \$298,700, and \$303,301, respectively. The contributions made by the County equaled the required contributions for each year.

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.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2013, 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.

Summary of Significant Accounting Policies

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operation budget. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The County's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by the employees.

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses), and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012 was 18 years.

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Annual Pension Cost and Net Pension Obligation. The County’s annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$	15,054
Interest on net pension obligation		7,046
Adjustment to annual required contribution		<u>(11,481)</u>
Annual pension cost		10,619
Employer contribution made for fiscal year ended June 30, 2014		<u>-</u>
Increase in net pension obligation		10,619
Net pension obligation:		
Beginning of year - July 1		<u>140,923</u>
End of year - June 30	\$	<u><u>151,542</u></u>

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$ 11,113	0.00%	\$ 129,124
6/30/2013	11,799	0.00%	140,923
6/30/2014	10,619	0.00%	151,542

Funding Status and Funding Progress. As of December 31, 2013, the Plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$115,893. The covered payroll (annual payroll of active employees covered by the plan) was \$429,629, and the ratio of the UAAL to the covered payroll was 26.98%.

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 value of Plan assets are increasing or decreasing, over time, relative to the actuarial accrued liability for benefits.

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)

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 were \$31,474, which consisted of \$21,994 from the County and \$9,480 from the law enforcement officers.

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 3 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, 2014, the County's required and actual contributions were \$815.

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. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. Currently, seven retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2014, the County made payments for post-retirement health benefit premiums of \$53,069. A separate report was not issued for the plan.

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Membership of the plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	9	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	54	12
Total	63	12

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. 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 14.12% of annual covered payroll. For the current year, the County contributed \$53,069, or 2.40%, 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.

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 30 years.

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Annual required contribution	\$ 283,761	\$ 23,553	\$ 307,314
Interest on net OPEB obligation	45,149	3,748	48,897
Adjustments to annual required contribution	<u>(43,131)</u>	<u>(3,581)</u>	<u>(46,712)</u>
Annual OPEB cost (expense)	285,779	23,720	309,499
Contributions made	<u>(49,002)</u>	<u>(4,067)</u>	<u>(53,069)</u>
Increase (decrease) in net OPEB obligation	236,777	19,653	256,430
Net OPEB obligation:			
Beginning of year - July 1	<u>1,358,154</u>	<u>115,056</u>	<u>1,473,210</u>
End of year - June 30	<u>\$ 1,594,931</u>	<u>\$ 134,709</u>	<u>\$ 1,729,640</u>

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three years are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2012	\$ 459,012	12.20%	\$ 1,222,428
2013	309,499	18.97%	1,473,210
2014	309,499	17.15%	1,729,640

Funded Status and Funding Progress. As of December 31, 2012, 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 \$3,684,889. The covered payroll (annual payroll of active employees covered by the plan) was \$2,175,983, and the ratio of the UAAL to the covered payroll was 169.3 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 information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2012 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 a pre-Medicare trend rate from 8.5 percent – 5 percent along with a post-Medicare rate of 6.25 percent – 5 percent. Both rates included a 3.00 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, 2012 was 30 years.

As of June 30, 2014, 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 Commissioners.

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. Because all death benefit payments are made from 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

8. Deferred Inflows/Unavailable Revenues

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

	<u>Unavailable Revenues</u>	<u>Unearned Revenues</u>	<u>Total</u>
General Fund:			
Prepaid taxes	\$ -	\$ 22,001	\$ 22,001
Taxes receivable (net)	<u>303,763</u>	<u>-</u>	<u>303,763</u>
Total	<u>\$ 303,763</u>	<u>\$ 22,001</u>	<u>\$ 325,764</u>

9. 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, 2014:

	<u>Balance</u>			<u>Balance</u>		<u>Current</u>
	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>	<u>Portion of</u>	<u>Balance</u>
Governmental Activities:						
Notes payable	\$ 7,001,293	\$ -	\$ (1,262,476)	\$ 5,738,817	\$ 835,732	
OPEB liability	1,358,154	285,779	(49,002)	1,594,931	-	
LEO liability	140,923	10,619	-	151,542	-	
Compensated absences	<u>233,543</u>	<u>35,121</u>	<u>(28,778)</u>	<u>239,886</u>	<u>59,972</u>	
Total governmental activities	<u>\$ 8,733,913</u>	<u>\$ 331,519</u>	<u>\$ (1,340,256)</u>	<u>\$ 7,725,176</u>	<u>\$ 895,704</u>	
Business-Type Activities:						
Water Fund:						
Notes payable	\$ 512,902	\$ -	\$ (167,963)	\$ 344,939	\$ 170,950	
OPEB liability	115,056	23,720	(4,067)	134,709	-	
Compensated absences	<u>27,700</u>	<u>2,124</u>	<u>(3,846)</u>	<u>25,978</u>	<u>6,495</u>	
Total business-type activities	<u>\$ 655,658</u>	<u>\$ 25,844</u>	<u>\$ (175,876)</u>	<u>\$ 505,626</u>	<u>\$ 177,445</u>	

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

North Carolina General Statutes limit certain indebtedness of the County to an amount not greater than 8 percent of the appraised value of property subject to taxation by the County. At June 30, 2014, the legal debt limit and legal debt margin given no bonded debt outstanding totaled \$71,744,294.

Notes Payable

Serviced by General Fund:

3.98% note; payable in semi-annual installments of \$216,667, plus interest; original issuance of \$6,500,000 was for the expansion of public school facilities; matures January 2022; secured by school real estate; original note was refinanced in March 2012, with an outstanding principal balance of \$4,460,000, with interest payable at 2.91%, with a original maturity date of March 2022

\$ 3,466,667

2.89% note; payable in annual installments of \$142,054, including interest. The original issuance was \$1,709,409 with BB&T governmental finance; to finance the construction of Social Services building; matures September 2025; secured by Social Services building

1,372,150

1.77% 5 year note; payable in semi-annual installments of \$150,000, plus interest; original issuance of \$1,500,000 with BB&T governmental finance; to finance the construction of new library; issued March 2012; matures March 2017

900,000

Total notes payable

\$ 5,738,817

Serviced by Water Fund:

4.90% note; payable in semi-annual installments of \$95,110, including interest; original issuance of \$1,954,190 on December 12, 2001 with Southern Bank & Trust for County water system improvements; original note was modified with Southern Bank to obtain a lower rate December 2011, with interest payable at 1.77% and matures June 2016

\$ 344,939

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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
2015	\$ 835,732	\$ 187,920	\$ 170,950	\$ 5,352
2016	838,692	162,404	173,989	2,313
2017	841,737	136,802	-	-
2018	544,870	112,440	-	-
2019	548,093	91,970	-	-
2020-2024	1,925,506	175,312	-	-
2025-2026	204,187	7,867	-	-
Total	<u>\$ 5,738,817</u>	<u>\$ 874,715</u>	<u>\$ 344,939</u>	<u>\$ 7,665</u>

10. 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 two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$200 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 \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of a \$500,000 retention up to a \$2 million limit for liability coverage and \$1,750,000 of each loss in excess of a \$250,000 per occurrence retention for property and auto physical damage. For workers' compensation, there is a per occurrence retention of \$750,000.

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. The DSS building is covered by flood insurance provided by F.E.M.A. and provides \$500,000 for the building and an additional \$500,000 for the contents.

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 the Tax Collector are each individually bonded for \$200,000 each. The Sheriff and Register of Deeds are each individually bonded for \$7,500 and \$15,000, respectively. 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, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

The 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.

11. 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 30 years after closure. As indicated in Note 13, 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.

12. Interfund Balances and Activity

Transfer To/From Other Funds

Transfers to/from other funds for the year ended June 30, 2014 consisted of the following:

<u>Fund Type</u>	<u>Fund Name</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>
General	General Fund	\$ 1,868,303	\$ -	
Debt Service	Debt Service Fund	-	1,433,984	Debt service payments
Capital Project	Old Courthouse Restoration Project	-	350,000	To finance project
Enterprise Capital Project	Transfer to Wastewater			
Capital Project	Capital Project Fund	-	84,319	To finance project
Capital Project	Library Capital Project Fund	150,696	-	
General Fund	General Fund	-	150,696	To close project
	Total	<u>\$ 2,018,999</u>	<u>\$ 2,018,999</u>	

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Due to/from other funds are summarized as follows:

<u>Fund Name</u>	<u>Due To</u>	<u>Due From</u>	<u>Purpose</u>
General	\$ 80,482	\$ -	
CDBG Scattered Site Grant Project	-	40,673	Cash overdrafts
Homeland Security Grant	-	19,250	Cash overdrafts
Hazard Mitigation Grant	-	20,517	Cash overdrafts
Internal Service Fund	-	42	Cash overdrafts
Total	<u>\$ 80,482</u>	<u>\$ 80,482</u>	

13. Joint Ventures

The County participates in a joint venture to operate Perquimans-Chowan Gates Regional Landfill (Landfill) with two other counties. Each participating government appoints their County Manager and one Commissioner 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 and administration cost. In accordance with the intergovernmental agreement between the participating governments, the County paid \$709,417 for operating costs.

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 system, so no equity interest has been reflected in the financial statements at June 30, 2014. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$92,000 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, 2014. In accordance with the intergovernmental agreement between the participating governments, the County appropriated 2014 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.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

14. 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 \$7,764 to the Commission during the fiscal year ended June 30, 2014.

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.

The County, in conjunction with other counties, participates in East Carolina Behavioral Health, a local management entity for mental healthcare services. These entities provide mental health services to the residents of the participating counties through satellite offices. The County contributed \$29,323 to this organization during the fiscal year ended June 30, 2014.

15. Benefit Payments Issued by the State

Certain amounts 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. This additional aid to County recipients does not appear in the basic financial statements because it does not represent revenues and expenditures of the County.

16. 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.

17. Prior Period Adjustment

In the prior period, errors were made with regards to the understatement of accounts receivable and revenues in the Landfill and Water enterprise funds. Beginning net position was restated (increased) as follows to correct the errors:

Net position - Landfill Fund	\$ 31,354
Net position - Water Fund	<u>78,950</u>
Net position - business-type activities	<u>\$ 110,304</u>

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

18. Stewardship, Compliance, and Accountability

Deficit Fund Balance or Net Position of Individual Funds

The Hazard Mitigation special revenue fund reported a deficit fund balance of \$26,784 at June 30, 2014.

Corrective Action: The deficit will be eliminated with the receipt of future grant revenues. Care will be taken to ensure that funds are monitored and necessary transfers made to avoid fund deficits in the future.

This page left blank intentionally.

GATES COUNTY, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2009	\$ -	\$ 3,943,191	\$ 3,943,191	0.00%	\$ 2,338,648	168.6%
12/31/2012	-	3,684,889	3,684,889	0.00%	2,175,983	169.3%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2014	\$ 307,314	\$ 53,069	17.27%
2013	307,314	58,717	19.11%
2012	454,514	55,942	12.31%
2011	454,514	40,041	8.81%

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	12/31/2012
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%
Pre-Medicare trend rate	8.5% - 5.0%
Post-Medicare trend rate	6.25% - 5.0%
Year of Ultimate trend rate	2018

* Includes inflation at 3.00%

GATES COUNTY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/2010	\$ -	\$ 80,704	\$ 80,704	0.00%	\$ 420,215	19.21%
12/31/2011	-	90,169	90,169	0.00%	420,215	21.41%
12/31/2012	-	100,267	100,267	0.00%	430,303	23.30%
12/31/2013	-	115,893	115,893	0.00%	429,629	26.98%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage of ARC Contributed
2011	\$ 12,252	0.00%
2012	12,252	0.00%
2013	13,379	0.00%
2014	15,054	0.00%

Notes to the Required Schedules:

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

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	Ranges from 4.25 to 7.85%
Cost-of-living adjustments	None
*Includes inflation at	3.00%

GATES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ACTUAL - GENERAL FUND CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Revaluation Fund</u>	<u>USDA Loan Fund</u>	<u>Eliminations</u>	<u>Total General Fund</u>
Revenues:					
Ad valorem taxes	\$ 6,342,342	\$ -	\$ -	\$ -	\$ 6,342,342
Local option sales taxes	1,957,872	-	-	-	1,957,872
Other taxes and licenses	24,470	-	-	-	24,470
Unrestricted intergovernmental revenues	61,267	-	-	-	61,267
Restricted intergovernmental revenues	2,184,464	-	-	-	2,184,464
Permits and fees	90,449	-	-	-	90,449
Sales and services	197,457	-	-	-	197,457
Investment earnings	10,867	-	-	-	10,867
Miscellaneous	60,275	-	-	-	60,275
Total revenues	<u>10,929,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,929,463</u>
Expenditures:					
Current:					
General government	1,668,021	-	-	-	1,668,021
Public safety	1,501,666	-	-	-	1,501,666
Economic and physical development	820,084	-	-	-	820,084
Human services	2,051,378	-	-	-	2,051,378
Cultural and recreational	322,134	-	-	-	322,134
Education	2,718,000	-	-	-	2,718,000
Debt service:					
Principal	1,757	-	-	-	1,757
Interest	66	-	-	-	66
Total expenditures	<u>9,083,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,083,106</u>
Revenues over (under) expenditures	<u>1,846,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,846,357</u>
Other Financing Sources (Uses):					
Transfers from other funds	169,016	33,750	-	(52,070)	150,696
Transfer to other funds	<u>(1,902,053)</u>	<u>-</u>	<u>(18,320)</u>	<u>52,070</u>	<u>(1,868,303)</u>
Total other financing sources (uses)	<u>(1,733,037)</u>	<u>33,750</u>	<u>(18,320)</u>	<u>-</u>	<u>(1,717,607)</u>
Net change in fund balances	113,320	33,750	(18,320)	-	128,750
Fund Balances:					
Beginning of year - July 1	<u>3,146,713</u>	<u>140,051</u>	<u>52,865</u>	<u>-</u>	<u>3,339,629</u>
End of year - June 30	<u>\$ 3,260,033</u>	<u>\$ 173,801</u>	<u>\$ 34,545</u>	<u>\$ -</u>	<u>\$ 3,468,379</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 6,241,060	\$ 6,269,378	\$ 28,318	\$ 6,043,269
Penalties and interest	76,500	72,964	(3,536)	75,308
Total	<u>6,317,560</u>	<u>6,342,342</u>	<u>24,782</u>	<u>6,118,577</u>
Local Option Sales Taxes:				
Article 39	401,076	417,683	16,607	384,842
Article 40 one-half of one percent	640,719	661,627	20,908	639,846
Article 42 one-half of one percent	215,241	225,110	9,869	208,913
Article 44	-	207	207	(586)
Medicaid Hold Harmless payment	608,267	653,245	44,978	616,482
Total	<u>1,865,303</u>	<u>1,957,872</u>	<u>92,569</u>	<u>1,849,497</u>
Other Taxes and Licenses:				
Tax refunds	-	-	-	111
Deep stamp excise tax	24,000	23,147	(853)	19,912
Privilege licenses	500	-	(500)	1,000
ABC bottle tax	2,000	1,323	(677)	1,385
Total	<u>26,500</u>	<u>24,470</u>	<u>(2,030)</u>	<u>22,408</u>
Unrestricted Intergovernmental Revenues:				
Payments in lieu of taxes	7,500	8,846	1,346	7,538
Beer and wine tax	50,000	50,956	956	46,956
Cable franchise fees	1,600	1,465	(135)	1,514
Total	<u>59,100</u>	<u>61,267</u>	<u>2,167</u>	<u>56,008</u>
Restricted Intergovernmental Revenues:				
Federal and State grants	2,257,793	2,184,464	(73,329)	2,267,570
Total	<u>2,257,793</u>	<u>2,184,464</u>	<u>(73,329)</u>	<u>2,267,570</u>
Permits and Fees:				
Building permits	60,000	49,021	(10,979)	59,466
Register of Deeds	46,500	41,428	(5,072)	48,365
Total	<u>106,500</u>	<u>90,449</u>	<u>(16,051)</u>	<u>107,831</u>
Sales and Services:				
Transportation fares	87,000	19,641	(67,359)	22,467
Rents, concessions, and fees	118,144	93,287	(24,857)	119,428
Jail fees	37,000	42,876	5,876	33,146
School resource officer	-	18,601	18,601	38,752
Court facilities fees	20,000	23,052	3,052	19,192
Total	<u>262,144</u>	<u>197,457</u>	<u>(64,687)</u>	<u>232,985</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014		Variance Over/Under	2013
	Budget	Actual		Actual
Investment Earnings	8,000	10,867	2,867	8,608
Miscellaneous:				
Insurance reimbursement	12,400	12,401	1	59,498
Sale of assets	15,000	16,394	1,394	978
Other	37,243	31,480	(5,763)	34,784
Total	64,643	60,275	(4,368)	95,260
Total revenues	10,967,543	10,929,463	(38,080)	10,758,744
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	67,761	66,879	882	75,536
Operating expenditures	22,789	19,357	3,432	161,688
Overhead allocated to other funds	(22,428)	(21,557)	(871)	-
Total	68,122	64,679	3,443	237,224
Financial Services:				
Salaries and employee benefits	349,228	348,255	973	-
Operations	127,312	118,006	9,306	-
Capital outlay	5,000	4,010	990	-
Overhead allocated to other funds	(137,318)	(141,080)	3,762	-
Total	344,222	329,191	15,031	-
Administration:				
Salaries and employee benefits	164,594	158,924	5,670	323,644
Operating expenditures	18,400	19,112	(712)	58,652
Overhead allocated to other funds	(43,249)	(44,509)	1,260	(53,831)
Total	139,745	133,527	6,218	328,465
Tax Collection:				
Salaries and employee benefits	186,577	186,778	(201)	184,429
Operating expenditures	98,340	94,096	4,244	88,083
Total	284,917	280,874	4,043	272,512
Legal:				
Contracted services	19,000	19,273	(273)	11,563
Court Facilities:				
Operating expenditures	20,000	16,905	3,095	34,513

GATES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Elections:				
Salaries and employee benefits	51,261	49,944	1,317	49,475
Operating expenditures	47,682	43,490	4,192	38,088
Total	98,943	93,434	5,509	87,563
Register of Deeds:				
Salaries and employee benefits	89,137	82,683	6,454	98,249
Operating expenditures	23,054	21,021	2,033	21,862
Total	112,191	103,704	8,487	120,111
Public Buildings:				
Salaries and employee benefits	120,573	117,878	2,695	115,873
Operating expenditures	251,300	250,065	1,235	191,497
Capital outlay	-	-	-	90,428
Overhead allocated to other funds	(59,500)	(58,871)	(629)	-
Total	312,373	309,072	3,301	397,798
County Capital Improvement Program:				
Equipment	243,696	241,369	2,327	-
Vehicles	76,500	66,159	10,341	-
Total	320,196	307,528	12,668	-
Sustainability:				
Operations	70,679	9,834	60,845	-
Total general government	1,790,388	1,668,021	122,367	1,489,749
Public Safety:				
Sheriff and Communications:				
Salaries and employee benefits	733,972	725,129	8,843	845,801
Operating expenditures	151,950	143,429	8,521	146,198
Capital outlay	-	-	-	47,544
Total	885,922	868,558	17,364	1,039,543
Jail:				
Operating expenditures	197,000	160,132	36,868	276,597
Total	197,000	160,132	36,868	276,597

GATES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Emergency Management:				
Salaries and employee benefits	280,733	277,850	2,883	95,893
Operating expenditures	37,974	36,599	1,375	25,564
Capital outlay	700	386	314	677
Overhead allocated to other funds	(40,000)	(40,000)	-	(38,000)
Total	279,407	274,835	4,572	84,134
Fire:				
Forest fire protection	55,000	52,087	2,913	64,790
Recue Squad:				
Allocation	25,000	25,000	-	25,000
Building Inspector:				
Salaries and employee benefits	89,494	84,732	4,762	110,796
Operating expenditures	15,150	12,907	2,243	16,116
Total	104,644	97,639	7,005	126,912
Medical Examiner:				
Professional services	1,500	600	900	4,000
Animal Control:				
Operating expenditures	52,000	22,815	29,185	49,478
Total public safety	1,600,473	1,501,666	98,807	1,670,454
Economic and Physical Development:				
Agricultural Extension:				
Salaries and employee benefits	134,400	131,221	3,179	131,842
Operating expenditures	18,810	17,946	864	21,984
Total	153,210	149,167	4,043	153,826
Soil and Water Conservation:				
Salaries and employee benefits	80,528	79,177	1,351	79,831
Operating expenditures	8,746	5,770	2,976	5,972
Total	89,274	84,947	4,327	85,803
Zoning:				
Salaries and employee benefits	-	-	-	53,853
Operating expenditures	-	-	-	19,400
Total	-	-	-	73,253

GATES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Cooperative Extension Service:				
Genesis	33,663	33,663	-	28,531
School age child care	36,840	29,949	6,891	32,446
Life Smarts	1,694	565	1,129	-
Making a job	3,164	3,164	-	5,836
Work Experience Grant	-	-	-	4,385
Gang Grant	-	-	-	19,718
4-H Program	3,808	1,644	2,164	2,479
SHIP Grant	4,378	4,098	280	4,494
Science camp	-	-	-	2,953
Real World Grant	-	-	-	1,368
ECB Youth Opportunities Grant	-	-	-	4,680
Total	<u>83,547</u>	<u>73,083</u>	<u>10,464</u>	<u>106,890</u>
GITS:				
Salaries and employee benefits	233,125	221,463	11,662	224,829
Operating expenditures	250,983	160,581	90,402	161,347
Capital outlay	136,940	130,843	6,097	106,140
Total	<u>621,048</u>	<u>512,887</u>	<u>108,161</u>	<u>492,316</u>
Total economic and physical development	<u>947,079</u>	<u>820,084</u>	<u>126,995</u>	<u>912,088</u>
Human Services:				
Health:				
Administration:				
Albemarle Regional Health Services	113,500	113,500	-	113,500
Albemarle Mental Health Center	30,000	29,323	677	39,119
Albemarle Hospital	500	500	-	500
Total	<u>144,000</u>	<u>143,323</u>	<u>677</u>	<u>153,119</u>
Social Services:				
Administration:				
Salaries and employee benefits	1,029,751	1,026,434	3,317	997,914
Operating expenditures	179,745	173,945	5,800	180,827
Total	<u>1,209,496</u>	<u>1,200,379</u>	<u>9,117</u>	<u>1,178,741</u>
Special Assistance for Adults:				
County participation	<u>95,000</u>	<u>92,588</u>	<u>2,412</u>	<u>87,564</u>
Medicaid:				
County participation	<u>89,500</u>	<u>95,688</u>	<u>(6,188)</u>	<u>83,453</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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Special Social Services:				
Food Stamp Program	2,936	2,720	216	2,779
Daycare	327,900	300,491	27,409	293,188
Crisis intervention	112,228	109,529	2,699	84,124
N.C. Blind Commission	1,000	972	28	981
WorkFirst	14,000	12,900	1,100	10,675
CPS and independent living	5,200	2,350	2,850	-
Others	21,257	7,846	13,411	6,025
Total	484,521	436,808	47,713	397,772
Total social services	1,878,517	1,825,463	53,054	1,747,530
Special Appropriations:				
Veterans service	4,000	4,000	-	4,000
Juvenile crime prevention	32,831	32,831	-	32,831
Others	45,861	45,761	100	45,758
Total special appropriation	82,692	82,592	100	82,589
Total human services	2,105,209	2,051,378	53,831	1,983,238
Cultural and Recreational:				
Community Center:				
Salaries and employee benefits	21,439	21,438	1	47,523
Operating expenditures	208,696	208,696	-	196,697
Total	230,135	230,134	1	244,220
Libraries:				
Operating expenditures	92,000	92,000	-	95,000
Total cultural and recreation	322,135	322,134	1	339,220
Education:				
Public schools - current	2,610,000	2,610,000	-	2,604,023
Public schools - capital outlay	100,000	100,000	-	175,000
Community colleges	8,000	8,000	-	16,000
Total education	2,718,000	2,718,000	-	2,795,023
Debt Service:				
Principal retirement	1,758	1,757	1	1,406,552
Interest and fees	66	66	-	268,826
Total debt service	1,824	1,823	1	1,675,378

GATES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Total expenditures	9,485,108	9,083,106	402,002	10,865,150
Revenues over (under) expenditures	1,482,435	1,846,357	363,922	(106,406)
Other Financing Sources (Uses):				
Transfers from other funds	169,016	169,016	-	3,310
Transfers to other funds	(2,276,850)	(1,902,053)	374,797	(167,109)
Appropriated fund balance	625,399	-	(625,399)	-
Total other financing sources (uses)	(1,482,435)	(1,733,037)	(250,602)	(163,799)
Net change in fund balance	\$ -	113,320	\$ 113,320	(270,205)
Fund Balance:				
Beginning of year - July 1		3,146,713		\$ 3,416,918
End of year - June 30		\$ 3,260,033		\$ 3,146,713

GATES COUNTY, NORTH CAROLINA

REVALUATION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Expenditures:				
General government	\$ 33,750	\$ -	\$ 33,750	\$ -
Revenues over (under) expenditures	(33,750)	-	33,750	-
Other Financing Sources (Uses):				
Transfers from other funds	<u>33,750</u>	<u>33,750</u>	<u>-</u>	<u>33,750</u>
Net change in fund balance	<u>\$ -</u>	<u>33,750</u>	<u>\$ 33,750</u>	<u>33,750</u>
Fund Balance:				
Beginning of year - July 1		<u>140,051</u>		<u>106,301</u>
End of year - June 30		<u>\$ 173,801</u>		<u>\$ 140,051</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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers to other funds	\$ (18,320)	\$ (18,320)	\$ -	\$ (3,310)
Appropriated fund balance	18,320	-	(18,320)	-
Total other financing sources (uses)	-	(18,320)	(18,320)	(3,310)
Net change in fund balance	\$ -	(18,320)	\$ (18,320)	(3,310)
Fund Balance:				
Beginning of year - July 1		52,865		56,175
End of year - June 30		\$ 34,545		\$ 52,865

GATES COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Fund	Total
Assets:			
Cash and cash equivalents	\$ 302,945	\$ 161,240	\$ 464,185
Accounts receivable, net	115,343	976	116,319
Due from other governments	3,253	-	3,253
Total assets	<u>\$ 421,541</u>	<u>\$ 162,216</u>	<u>\$ 583,757</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 79,649	\$ 5,103	\$ 84,752
Due to other funds	80,440	-	80,440
Total liabilities	<u>160,089</u>	<u>5,103</u>	<u>165,192</u>
Fund Balances:			
Stabilization for State statute	118,596	976	119,572
Restricted, all other	286,424	-	286,424
Committed	-	156,137	156,137
Unassigned	(143,568)	-	(143,568)
Total fund balances	<u>261,452</u>	<u>157,113</u>	<u>418,565</u>
Total liabilities and fund balances	<u>\$ 421,541</u>	<u>\$ 162,216</u>	<u>\$ 583,757</u>

GATES COUNTY, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2014**

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total
Revenues:			
Restricted intergovernmental revenues	\$ 330,335	\$ -	\$ 330,335
Other taxes and licenses	363,842	-	363,842
Investment earnings	853	15	868
Total revenues	<u>695,030</u>	<u>15</u>	<u>695,045</u>
Expenditures:			
Current:			
General government	-	192,887	192,887
Public safety	475,573	-	475,573
Economic and physical development	271,123	-	271,123
Total expenditures	<u>746,696</u>	<u>192,887</u>	<u>939,583</u>
Revenues over (under) expenditures	<u>(51,666)</u>	<u>(192,872)</u>	<u>(244,538)</u>
Other Financing Sources (Uses):			
Transfers from other funds	-	350,000	350,000
Transfers to other funds	-	(150,696)	(150,696)
Total other financing sources (uses)	<u>-</u>	<u>199,304</u>	<u>199,304</u>
Net change in fund balances	(51,666)	6,432	(45,234)
Fund Balances:			
Beginning of year - July 1	<u>313,118</u>	<u>150,681</u>	<u>463,799</u>
End of year - June 30	<u>\$ 261,452</u>	<u>\$ 157,113</u>	<u>\$ 418,565</u>

This page left blank intentionally.

GATES COUNTY, NORTH CAROLINA

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014**

	Emergency Telephone System Fund	Fire Protection Fund	CDBG Scattered Site Grant Project
Assets:			
Cash and cash equivalents	\$ 288,432	\$ 14,513	\$ -
Accounts receivable, net	-	-	71,300
Due from other governments	<u>1,737</u>	<u>-</u>	<u>384</u>
Total assets	<u>\$ 290,169</u>	<u>\$ 14,513</u>	<u>\$ 71,684</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 2,008	\$ 14,513	\$ 30,936
Due to other funds	<u>-</u>	<u>-</u>	<u>40,673</u>
Total liabilities	<u>2,008</u>	<u>14,513</u>	<u>71,609</u>
Fund Balances:			
Stabilization for State statute	1,737	-	71,684
Restricted, all other	286,424	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(71,609)</u>
Total fund balances	<u>288,161</u>	<u>-</u>	<u>75</u>
Total liabilities and fund balances	<u>\$ 290,169</u>	<u>\$ 14,513</u>	<u>\$ 71,684</u>

Schedule D-1

<u>Homeland Security Grant</u>	<u>DSS Urgent Home Repair Grant</u>	<u>Hazard Mitigation Grant</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 302,945
44,043	-	-	115,343
<u>1,132</u>	<u>-</u>	<u>-</u>	<u>3,253</u>
<u>\$ 45,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 421,541</u>
\$ 25,925	\$ -	\$ 6,267	\$ 79,649
<u>19,250</u>	<u>-</u>	<u>20,517</u>	<u>80,440</u>
<u>45,175</u>	<u>-</u>	<u>26,784</u>	<u>160,089</u>
45,175	-	-	118,596
-	-	-	286,424
<u>(45,175)</u>	<u>-</u>	<u>(26,784)</u>	<u>(143,568)</u>
<u>-</u>	<u>-</u>	<u>(26,784)</u>	<u>261,452</u>
<u>\$ 45,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 421,541</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, 2014**

	Emergency Telephone System Fund	Fire Protection Fund	CDBG Scattered Site Grant Project
Revenues:			
Restricted intergovernmental	\$ -	\$ -	\$ 208,239
Other taxes and licenses	118,395	245,447	-
Investment earnings	824	-	-
Total revenues	<u>119,219</u>	<u>245,447</u>	<u>208,239</u>
Expenditures:			
Current:			
Public safety	106,543	245,447	-
Economic development	-	-	208,239
Total expenditures	<u>106,543</u>	<u>245,447</u>	<u>208,239</u>
Net change in fund balances	12,676	-	-
Fund Balances:			
Beginning of year - July 1	<u>275,485</u>	<u>-</u>	<u>75</u>
End of year - June 30	<u>\$ 288,161</u>	<u>\$ -</u>	<u>\$ 75</u>

Schedule D-2

<u>Homeland Security Grant</u>	<u>DSS Urgent Repair Home Grant</u>	<u>Hazard Mitigation Grant</u>	<u>Total</u>
\$ 96,799	\$ 25,297	\$ -	\$ 330,335
-	-	-	363,842
-	29	-	853
<u>96,799</u>	<u>25,326</u>	<u>-</u>	<u>695,030</u>
96,799	-	26,784	475,573
-	62,884	-	271,123
<u>96,799</u>	<u>62,884</u>	<u>26,784</u>	<u>746,696</u>
-	(37,558)	(26,784)	(51,666)
-	37,558	-	313,118
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,784)</u>	<u>\$ 261,452</u>

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, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Other taxes and licenses	\$ 118,395	\$ 118,395	\$ -	\$ 109,310
Investment earnings	-	824	824	790
Total revenues	<u>118,395</u>	<u>119,219</u>	<u>824</u>	<u>110,100</u>
Expenditures:				
Public safety	<u>118,395</u>	<u>106,543</u>	<u>11,852</u>	<u>98,761</u>
Revenues over (under) expenditures	<u>-</u>	<u>12,676</u>	<u>12,676</u>	<u>11,339</u>
Other Financing Sources (Uses):				
Transfer (to) from other funds	(250,000)	-	250,000	-
Appropriated fund balance	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>12,676</u>	<u>\$ 12,676</u>	<u>11,339</u>
Fund Balance:				
Beginning of year - July 1		<u>275,485</u>		<u>264,146</u>
End of year - June 30		<u>\$ 288,161</u>		<u>\$ 275,485</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, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>			<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Fire protection fees	\$ 260,000	\$ 245,447	\$ (14,553)	\$ 248,894
Expenditures:				
Volunteer fire department	260,000	245,447	14,553	265,264
Net change in fund balance	\$ -	-	\$ -	(16,370)
Fund Balance:				
Beginning of year - July 1		-		16,370
End of year - June 30		\$ -		\$ -

GATES COUNTY, NORTH CAROLINA

**CDBG SCATTERED SITE GRANT PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental CDBG #11-C-2312	\$ 400,000	\$ 29,296	\$ 208,239	\$ 237,535
Expenditures:				
Economic and physical development				
Administration	40,000	26,247	6,256	32,503
Clearance	37,500	-	37,387	37,387
Rehabilitation	500	500	20,571	21,071
Relocation	322,000	2,474	144,025	146,499
Total expenditures	<u>400,000</u>	<u>29,221</u>	<u>208,239</u>	<u>237,460</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 75</u>	<u>\$ -</u>	<u>\$ 75</u>

GATES COUNTY, NORTH CAROLINA

**HOMELAND SECURITY GRANT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 383,417	\$ 162,343	\$ 96,799	\$ 259,142
Expenditures:				
Public safety	383,417	162,343	96,799	259,142
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

GATES COUNTY, NORTH CAROLINA

**DSS URGENT HOME REPAIR GRANT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 75,000	37,500	\$ 25,297	\$ 62,797
Investment earnings	-	58	29	87
Total revenues	<u>75,000</u>	<u>37,558</u>	<u>25,326</u>	<u>62,884</u>
Expenditures:				
Economic and physical development Rehabilitation	<u>75,000</u>	<u>-</u>	<u>62,884</u>	<u>62,884</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 37,558</u>	<u>\$ (37,558)</u>	<u>\$ -</u>

GATES COUNTY, NORTH CAROLINA

**HAZARD MITIGATION GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 70,000	\$ -	\$ -	\$ -
Expenditures:				
Public safety	70,000	-	26,784	26,784
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,784)</u>	<u>\$ (26,784)</u>

GATES COUNTY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	Old Courthouse Restoration Project	Library Building Construction Fund	Total Nonmajor Capital Project Funds
Assets:			
Cash and cash equivalents	\$ 161,240	\$ -	\$ 161,240
Receivables, net	976	-	976
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 162,216</u>	<u>\$ -</u>	<u>\$ 162,216</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 5,103	\$ -	\$ 5,103
Total liabilities	<u>5,103</u>	<u>-</u>	<u>5,103</u>
Fund Balances:			
Stabilization for State statute	976	-	976
Committed	156,137	-	156,137
Total fund balances	<u>157,113</u>	<u>-</u>	<u>157,113</u>
Total liabilities and fund balances	<u>\$ 162,216</u>	<u>\$ -</u>	<u>\$ 162,216</u>

GATES COUNTY, NORTH CAROLINA

**NONMAJOR CAPITAL PROJECTS FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Old Courthouse Restoration Project</u>	<u>Library Capital Project Fund</u>	<u>Total Nonmajor Capital Project Funds</u>
Revenues:			
Investment earnings	\$ -	\$ 15	\$ 15
Expenditures:			
General government	<u>192,887</u>	<u>-</u>	<u>192,887</u>
Revenues over (under) expenditures	<u>(192,887)</u>	<u>15</u>	<u>(192,872)</u>
Other Financing Sources (Uses):			
Transfers to other funds	-	(150,696)	(150,696)
Transfers from other funds	<u>350,000</u>	<u>-</u>	<u>350,000</u>
Total other financing sources (uses)	<u>350,000</u>	<u>(150,696)</u>	<u>199,304</u>
Net change in fund balance	157,113	(150,681)	6,432
Fund Balances:			
Beginning of year - July 1	<u>-</u>	<u>150,681</u>	<u>150,681</u>
End of year - June 30	<u>\$ 157,113</u>	<u>\$ -</u>	<u>\$ 157,113</u>

GATES COUNTY, NORTH CAROLINA

**OLD COURTHOUSE RESTORATION PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Miscellaneous-donations	\$ 250,000	\$ -	\$ -	\$ -
Expenditures:				
Renovation costs	600,000	-	192,887	192,887
Revenues over (under) expenditures	(350,000)	-	(192,887)	(192,887)
Other Financing Sources (Uses):				
Transfers from other funds	350,000	-	350,000	350,000
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	157,113	<u>\$ 157,113</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ 157,113</u>	

GATES COUNTY, NORTH CAROLINA

**LIBRARY CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Investment earnings	\$ 1,484	\$ 1,468	\$ 15	\$ 1,483
Expenditures:				
Construction costs	1,350,788	1,350,787	-	1,350,787
Revenues over (under) expenditures	(1,349,304)	(1,349,319)	15	(1,349,304)
Other Financing Sources (Uses):				
Transfers to other funds	(150,696)	-	(150,696)	(150,696)
Debt proceeds	1,500,000	1,500,000	-	1,500,000
Total other financing sources (uses)	1,349,304	1,500,000	(150,696)	1,349,304
Net change in fund balance	<u>\$ -</u>	<u>\$ 150,681</u>	(150,681)	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			<u>150,681</u>	
End of year - June 30			<u>\$ -</u>	

GATES COUNTY, NORTH CAROLINA

**DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:				
Debt service:				
Principal	\$ 1,276,329	\$ 1,276,734	\$ 1,260,719	\$ 16,015
Interest	<u>173,671</u>	<u>173,266</u>	<u>173,265</u>	<u>1</u>
Total expenditures	<u>1,450,000</u>	<u>1,450,000</u>	<u>1,433,984</u>	<u>16,016</u>
Revenues over (under) expenditures	(1,450,000)	(1,450,000)	(1,433,984)	16,016
Other Financing Sources (Uses):				
Transfers from other funds	<u>1,450,000</u>	<u>1,450,000</u>	<u>1,433,984</u>	<u>(16,016)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</u>	

GATES COUNTY, NORTH CAROLINA

LANDFILL FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services:				
Solid waste charges	\$ 745,000	\$ 719,926	\$ (25,074)	\$ 639,732
Miscellaneous	1,700	5,872	4,172	686
Total operating revenues	<u>746,700</u>	<u>725,798</u>	<u>(20,902)</u>	<u>640,418</u>
Non-operating revenues:				
Investment earnings	-	725	725	953
White goods	5,000	2,783	(2,217)	4,635
Scrap tire	15,000	25,775	10,775	18,677
Solid waste disposal tax	7,000	6,630	(370)	10,162
Total non-operating revenues	<u>27,000</u>	<u>35,913</u>	<u>8,913</u>	<u>34,427</u>
Total revenues	<u>773,700</u>	<u>761,711</u>	<u>(11,989)</u>	<u>674,845</u>
Expenditures:				
Landfill operations:				
Operating expenditures	773,700	828,215	(54,515)	721,564
Capital outlay	150,000	16,492	133,508	16,118
Total expenditures	<u>923,700</u>	<u>844,707</u>	<u>78,993</u>	<u>737,682</u>
Revenues over (under) expenditures	(150,000)	(82,996)	67,004	(62,837)
Other Financing Sources (Uses):				
Appropriated fund balance	<u>150,000</u>	-	<u>(150,000)</u>	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(82,996)</u>	<u>\$ (82,996)</u>	<u>\$ (62,837)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:				
Reconciling items:				
Depreciation expense		<u>(2,665)</u>		
Change in net position		<u>\$ (85,661)</u>		

GATES COUNTY, NORTH CAROLINA

WATER FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Water sales	\$ 1,058,500	\$ 1,050,260	\$ (8,240)	\$ 905,505
Water taps and connection fees	23,000	13,250	(9,750)	15,000
Miscellaneous	-	3,582	3,582	3,748
Total operating revenues	<u>1,081,500</u>	<u>1,067,092</u>	<u>(14,408)</u>	<u>924,253</u>
Non-operating revenues:				
Sale of equipment	-	250	250	-
Investment earnings	5,000	5,272	272	5,375
Tax refunds	-	-	-	2,745
Total non-operating revenues	<u>5,000</u>	<u>5,522</u>	<u>522</u>	<u>8,120</u>
Total revenues	<u>1,086,500</u>	<u>1,072,614</u>	<u>(13,886)</u>	<u>932,373</u>
Expenditures:				
Water and sewer operations:				
Salaries and benefits	306,618	297,053	9,565	284,197
Operating expenditures	298,579	216,140	82,439	321,452
Capital outlay	31,850	31,835	15	28,144
Reimbursement for General Fund administration	<u>273,150</u>	<u>178,585</u>	<u>94,565</u>	<u>53,831</u>
Total operations	<u>910,197</u>	<u>723,613</u>	<u>186,584</u>	<u>687,624</u>
Debt service:				
Principal payment	167,964	167,963	1	165,030
Interest and fees	8,339	8,338	1	11,272
Total debt service	<u>176,303</u>	<u>176,301</u>	<u>2</u>	<u>176,302</u>
Total expenditures	<u>1,086,500</u>	<u>899,914</u>	<u>186,586</u>	<u>863,926</u>
Revenues over (under) expenditures	<u>-</u>	<u>172,700</u>	<u>172,700</u>	<u>68,447</u>

GATES COUNTY, NORTH CAROLINA

**WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	2014			2013
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Other Financing Sources (Uses):				
Transfers (to) from other funds	(443,100)	(84,320)	358,780	(132,629)
Appropriated fund balance	<u>443,100</u>	<u>-</u>	<u>(443,100)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(84,320)</u>	<u>(84,320)</u>	<u>(132,629)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 88,380</u>	<u>\$ 88,380</u>	<u>\$ (64,182)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:				
Revenues and other financing sources over (under) expenditures and other financing uses		<u>\$ 88,380</u>		
Reconciling items:				
Capital outlay		26,585		
Transfer (intrafund) to Enterprise Fund Capital Project		84,320		
Transfer in projects		84,319		
Debt principal		167,963		
Change in accrued vacation pay		1,724		
Depreciation		(234,358)		
Increase in other post-employment benefits		<u>(19,653)</u>		
Total reconciling items		<u>110,900</u>		
Change in net position		<u>\$ 199,280</u>		

GATES COUNTY, NORTH CAROLINA

WASTE WATER TREATMENT FACILITY CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental	\$ 350,000	\$ 350,002	\$ -	\$ 350,002
Expenditures:				
Construction costs	1,470,924	971,311	168,639	1,139,950
Revenues over (under) expenditures	(1,120,924)	(621,309)	(168,639)	(789,948)
Other Financing Sources (Uses):				
Transfer in	1,120,924	621,309	168,639	789,948
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			<u>\$ -</u>	

GATES COUNTY, NORTH CAROLINA

**FLEET MANAGEMENT FUND
 SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
 IN NET POSITION - PLAN AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013**

	<u>2014</u>			<u>2013</u>
	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Operating Revenues:				
Charges	\$ 15,000	\$ 8,447	\$ (6,553)	\$ -
Operating Expenses:				
Fleet maintenance expenses	15,000	8,211	6,789	-
Revenues over (under) expenses	\$ -	\$ 236	\$ 236	\$ -
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Total revenues		\$ 8,447		\$ -
Total expenses		8,211		-
Change in net position		\$ 236		\$ -

GATES COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Social Services:				
Assets:				
Cash and cash equivalents	\$ 2,501	\$ 23,901	\$ (25,950)	\$ 452
Liabilities:				
Miscellaneous liabilities	\$ 2,501	\$ 23,901	\$ (25,950)	\$ 452
DMV Fund:				
Assets:				
Cash and cash equivalents	\$ 946	\$ -	\$ (946)	\$ -
Liabilities:				
Miscellaneous liabilities	\$ 946	\$ -	\$ (946)	\$ -
Drainage District I:				
Assets:				
Receivables	\$ 58	\$ 1,344	\$ (1,393)	\$ 9
Liabilities:				
Miscellaneous	\$ 58	\$ 1,344	\$ (1,393)	\$ 9
Drainage District II:				
Assets:				
Receivables	\$ 234	\$ 5,423	\$ (5,624)	\$ 33
Liabilities:				
Miscellaneous	\$ 234	\$ 5,423	\$ (5,624)	\$ 33
Drainage District III:				
Assets:				
Receivables	\$ 56	\$ 1,298	\$ (1,346)	\$ 8
Liabilities:				
Miscellaneous	\$ 56	\$ 1,298	\$ (1,346)	\$ 8

GATES COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Town of Gatesville:				
Assets:				
Receivables	\$ 2,333	\$ 58,344	\$ (57,841)	\$ 2,836
Liabilities:				
Miscellaneous	\$ 2,333	\$ 58,344	\$ (57,841)	\$ 2,836
Totals - All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 3,447	\$ 23,901	\$ (26,896)	\$ 452
Receivables	2,681	66,409	(66,204)	2,886
Total assets	\$ 6,128	\$ 90,310	\$ (93,100)	\$ 3,338
Liabilities:				
Miscellaneous liabilities	\$ 6,128	\$ 90,310	\$ (93,100)	\$ 3,338

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND
JUNE 30, 2014

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2012-2013	\$ -	\$ 6,226,244	\$ 5,978,690	\$ 247,554
2011-2012	292,293	-	213,939	78,354
2010-2011	81,217	-	36,820	44,397
2009-2010	45,242	-	12,991	32,251
2008-2009	41,197	-	9,319	31,878
2007-2008	42,876	-	5,881	36,995
2006-2007	37,257	-	5,257	32,000
2005-2006	27,724	-	2,715	25,009
2004-2005	23,316	-	1,414	21,902
2003-2004	25,875	-	1,253	24,622
2002-2003	17,598	-	17,598	-
Total	<u>\$ 634,595</u>	<u>\$ 6,226,244</u>	<u>\$ 6,285,877</u>	<u>574,962</u>
Less: Allowance for uncollectible accounts				<u>(271,199)</u>
Ad valorem taxes receivable - net:				
General Fund				<u>\$ 303,763</u>
Reconciliation with Revenues:				
Taxes - ad valorem - General Fund				\$ 6,342,342
Reconciling items:				
Penalties and interest				(72,964)
Refunds and other adjustments				(26,795)
Miscellaneous adjustments				25,696
Amounts written off per Statute of Limitations				<u>17,598</u>
Total collections and credits				<u>\$ 6,285,877</u>

GATES COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2014

	<u>County-Wide</u>		<u>Total Levy</u>		
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
Property taxed at current year's rate	\$ 884,313,281	\$ 0.640	\$ 5,659,605	\$ 4,976,203	\$ 683,402
Discoveries:					
Current year taxes	92,724,063		593,434	593,434	-
Abatements	<u>(4,186,719)</u>		<u>(26,795)</u>	<u>(23,534)</u>	<u>(3,261)</u>
Total property valuation	<u>\$ 972,850,625</u>				
Net Levy			6,226,244	5,546,103	680,141
Uncollected taxes at June 30, 2014			<u>(247,554)</u>	<u>(203,629)</u>	<u>(43,925)</u>
Current Year's Taxes Collected			<u>\$ 5,978,690</u>	<u>\$ 5,342,474</u>	<u>\$ 636,216</u>
Current Levy Collection Percentage			<u>96.02%</u>	<u>96.33%</u>	<u>93.54%</u>

This page left blank intentionally.

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

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

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

Independent Auditor's Report

To the Board of Commissioners
Gates County
Gatesville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the government 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 3, 2014. The financial statements of Gates County ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, Responses, and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies, 2014-001, 2014-002, and 2014-003, described in the accompanying Schedule of Findings, Responses, and Questioned Costs, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gates County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2014-004, that is required to be reported under *Government Auditing Standards*.

Gates County's Responses to Findings

Gates County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 3, 2014

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

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

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Gates County
Gatesville, North Carolina

Report On Compliance for Each Major Federal Program

We have audited the compliance of Gates County with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Gates County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Gates County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gates County's compliance with those requirements and performing, such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Gates County's compliance with those requirements.

Opinion On Each Major Federal Program

In our opinion, Gates County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report On Internal Control Over Compliance

Management of Gates County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Gates County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gates County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 3, 2014

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

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

Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Gates County
Gatesville, North Carolina

Report On Compliance for Each Major State Program

We have audited the compliance of Gates County with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Gates County's major State programs for the year ended June 30, 2014. Gates County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Gates County's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Gates County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of Gates County's compliance.

Opinion On Each Major State Program

In our opinion, Gates County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2014.

Report On Internal Control Over Compliance

Management of Gates County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Gates County's internal control over compliance with the requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gates County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on our requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 3, 2014

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? X Yes No
- Significant deficiencies identified not considered to be material weaknesses? Yes X None reported

Non-compliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes X No
- Significant deficiencies identified not considered to be material weaknesses? Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget, Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section .510(a)? Yes X No

Identification of major federal programs:

<u>Federal Program/Cluster Name</u>	<u>CFDA#</u>
Medicaid Cluster	93.775, 93.777, 93.778

Dollar threshold used to distinguish between Type A and Type B Programs \$300,000

Auditee qualified as low-risk auditee? Yes X No

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

2. Findings Related to the Audit of the Basic Financial Statements

2014-001

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board requires a technical training in financial reporting that is not typically consistent with the training required to perform the functions of the Finance Officer.

Context: The external auditor prepared a draft of the basic financial statements, all required note disclosures, and supplemental schedules.

Effect: The County requires assistance from the external auditor in drafting the financial statements.

Cause: The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above is cost prohibitive.

Recommendation: The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears cost prohibitive. Therefore, the County should exercise due care in reviewing the financial statements drafted by the external auditor as the County is responsible for the accuracy of the audited financial statements.

Contact Person: Sandy Pittman, Finance Director

Management's Response: Management is aware of the weakness, but due to the cost versus benefit analysis, it will continue to rely on the external auditor to draft the year-end financial statements. The County will exercise due care in reviewing the financial statements drafted by the external auditor. The County acknowledges and accepts responsibility for the accuracy of the audited financial statements.

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

2. Findings Related to the Audit of the Basic Financial Statements (continued)

2014-002

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. The existence of such material adjustments indicates that the County's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

Context: The external auditor identified significant audit adjustments as defined above.

Effect: Errors in financial reporting could occur.

Cause: There are limited resources as it relates to the preparation of all necessary year-end adjustments for financial reporting purposes.

Recommendation: Management should examine the adjustments required as a result of our audit and assess the cost/benefit of improving the internal control system to prevent the adjustments in the future, given available resources.

Contact Person: Sandy Pittman, Finance Director

Management's Response: Management concurs with the finding. Management will examine the adjustments required as a result of the audit and determine what steps, if any, can be taken to identify, detect, and correct errors prior to the audit being performed.

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

2. Findings Related to the Audit of the Basic Financial Statements (continued)

2014-003

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: A prior period adjustment is required to correct material errors that occurred in periods prior to the current fiscal year under audit. The necessity of a prior period adjustment indicates that the County's system of controls did not detect and prevent a material error in financial reporting.

Context: Accounts receivable and revenues were materially understated in the Water and Sewer funds for the year ended June 30, 2013. Beginning net position in each fund was restated (increased) to correct the error.

Effect: Errors in financial reporting occurred in the Water and Sewer proprietary funds.

Cause: Failure to properly reconcile accounts receivable and unbilled receivables per the general ledger to the underlying detail. It should be noted that the County did initiate new software for utility billings/reporting at the end of last fiscal year.

Recommendation: Care should be taken to ensure that accounts receivable detail agrees to amounts recorded on the general ledger.

Contact Person: Sandy Pittman, Finance Director

Management's Response: Management concurs with the finding. Management will ensure that amounts per the subsidiary ledgers are reconciled to the general ledger on a regular basis.

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

2. Findings Related to the Audit of the Basic Financial Statements (continued)

2014-004

Criteria: North Carolina General Statutes require that the County have policies and procedures in place to monitor budgetary compliance throughout the year. Management should have a control system in place to reduce the likelihood that violations of General Statutes occur and go undetected.

Condition: In the current year, there was a violation of the General Statutes regarding funds operating in a deficit.

Context: The County's Hazard Mitigation Fund had a deficit fund balance at year end.

Effect: The County was in violation of North Carolina General Statutes.

Cause: There was a lack of monitoring and insufficient controls to prevent the violation.

Recommendation: Management should review activity throughout the year and ensure necessary budget amendments and transfers are made to ensure funds do not operate in a deficit.

Contact Person: Sandy Pittman, Finance Director

Management's Response: Management concurs with the finding. The deficit will be eliminated with the receipt of future grant revenues. Care will be taken to ensure that funds are monitored and necessary transfers made to avoid fund deficits in the future.

3. Federal Award Findings, Responses, and Questioned Costs

None reported

4. State Award Findings, Responses, and Questioned Costs

None reported

GATES COUNTY, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

Finding: 2013-001

Status: Repeated as 2014-001

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor / Pass-Through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
Federal Awards:			
U.S. Department of Agriculture			
Food and Nutrition Service:			
Passed-through N.C. Department of Health & Human Services:			
Division of Social Services:			
Administration:			
Supplemental Nutrition Assist. Program Cluster			
State Administrative Matching Grants for the Supplemental			
Nutritional Assistance Program			
	10.561	\$ 154,836	\$ -
Total Supplemental Nutrition Assist. Program Cluster		<u>154,836</u>	<u>-</u>
Passed-through the NC Department of Health and Human Services:			
Division of Public Health:			
Direct Benefit Payments:			
WIC - Direct Benefit Payment			
	10.557	<u>167,231</u>	<u>-</u>
U.S. Department of Transportation			
Federal Transit Administration:			
Passed through the N.C. Department of Transportation:			
Formula Grants for Other Than Urbanized Areas			
	20.509	<u>90,819</u>	<u>5,712</u>
Transit Services Programs Cluster			
Enhanced Mobility for Seniors and Individuals with Disabilities			
	20.513	<u>10,293</u>	<u>-</u>
Job Access and Reverse Commute Program			
	20.516	<u>41,222</u>	<u>-</u>
Total U.S. Department of Transportation		<u>142,334</u>	<u>5,712</u>
U.S. Department of Homeland Security			
Passed-through NC Department of Crime Control and Public Safety:			
New Generation Leadership Grant			
	97.007	<u>2,776</u>	<u>-</u>
Surry Nuclear Power Plant Grant			
	97.007	<u>1,400</u>	<u>-</u>
Homeland Security Grant			
	97.007	<u>96,799</u>	<u>-</u>
Emergency Management Performance Grant			
	97.042	<u>35,317</u>	<u>-</u>
Total U.S. Department of Homeland Security		<u>136,292</u>	<u>-</u>
U.S. Department of Health and Human Services			
Administration for Children and Families			
Passed-through the NC Dept. of Health and Human Services:			
Division of Social Services:			
<u>Foster Care and Adoption Cluster: (Note 2)</u>			
Title IV-E Foster Care- Administration			
	93.658	<u>13,228</u>	<u>3,744</u>
Adoption Assistance-Direct Benefit			
	93.659	<u>4,582</u>	<u>1,194</u>
Total Foster Care and Adoption Cluster		<u>17,810</u>	<u>4,938</u>
Temporary Assistance for Needy Families Cluster:			
Temporary Assistance for Needy Families (TANF)/Work First			
	93.558	<u>90,318</u>	<u>-</u>
TANF/ Work First- Direct Benefit Payments			
	93.558	<u>79,926</u>	<u>-</u>
Total TANF Cluster		<u>170,244</u>	<u>-</u>

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor / Pass-Through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
NC Child Support Enforcement Section	93.563	134,394	-
Low-Income Home Energy Assistance Block Grant:			
Energy Assistance Payments- Direct Benefit Payments	93.568	117,124	-
LINKS			
Child Welfare Services- State Grants	93.674	709	177
Family Preservation	93.556	192	-
-Permanency Planning-Families for Kids	93.645	8,056	-
SSBG- Other Service and Training	93.667	97,088	6,613
Total		106,045	6,790
Division of Child Development:			
Subsidized Child Care (Note 2)			
<u>Child Care Development Fund Cluster:</u>			
Division of Social Services:			
Child Care Development Fund- Administration	93.596	63,701	-
Division of Child Development:			
Child Care and Development Fund- Discretionary	93.575	117,918	-
Child Care and Development Fund- Mandatory	93.596	81,412	-
Child Care and Development Fund- Match	93.596	17,612	-
Total Child Care Fund Cluster		280,643	-
Temporary Assistance for Needy Families	93.558	65,367	-
Foster Care Title IV-E	93.658	3,373	1,766
TANF - MOE		-	13,041
Total Subsidized Childcare Cluster		349,383	14,807
Centers for Medicare and Medicaid Services			
Passed-through the N.C. Department of Health and Human Services:			
Division of Medical Assistance:			
Direct Benefit Payments:			
Medicaid Cluster	93.778	7,765,356	4,385,168
Division of Social Services:			
Administration:			
Medical Assistance Program	93.778	276,712	6,962
Total Medicaid Cluster		8,042,068	4,392,130
Direct Benefit Payment:			
State Children's Insurance Program- N.C. Health Choice	93.767	156,275	49,215
Administration:			
State Children's Insurance Program- N.C. Health Choice	93.767	15,232	685
U.S. Department of Housing and Urban Development:			
Passed-through N.C. Department of Commerce:			
CDBG- State- Administered Small Cities Program Cluster			
Community Development Block Grant,			
Urgent Repair Program	14.228	25,326	-
Small Cities Program-Scattered Site	14.228	208,239	-
Total CDBG- State-Adm Small Cities Program Cluster		233,565	-
Total U.S. Department of Housing and Urban Development		233,565	-
Total Federal Awards		\$ 9,942,833	4,474,277

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor / Pass-Through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
State Awards:			
N.C. Department of Administration:			
Veterans Service			<u>1,452</u>
N.C. Department of Health and Human Services:			
Division of Aging and Adult Services:			
Seniors' Health Insurance Information Program (SHIIP)			<u>3,902</u>
Division of Social Services:			
AFDC Incentive/Program Integrity			85
SC/SA Domiciliary Care			92,816
SFHF Maximization			227
State Foster Home			<u>837</u>
Total Division of Social Services			<u>93,965</u>
Total N.C. Department of Health and Human Services			<u>97,867</u>
N.C. Department of Public Safety			
Juvenile Crime Prevention Program			30,096
CBA Genesis			<u>33,460</u>
Total N.C. Department of Public Safety			<u>63,556</u>
N.C. Department of Public Instruction:			
Public School Building Capital Fund-Lottery Proceeds			<u>117,780</u>
N.C. Department of Environment & Natural Resources			
Soil & Water Conservation			<u>20,458</u>
N.C. Department of Transportation:			
Rural Operating Assistance Program (ROAP)			
ROAP Elderly and Disabled Transportation Assistance Program			
ROAP Rural General Public Program			55,215
ROAP Work First Transitional- Employment			<u>6,874</u>
Total ROAP			<u>62,089</u>
Total State Awards			<u>363,202</u>
Total Federal and State Awards		<u>\$ 9,942,833</u>	<u>\$ 4,837,479</u>

GATES COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Grantor / Pass-Through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>

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

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the Federal and State grant activity of Gates County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, Non-Profit Organizations, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the County's basic financial statements. However, due to the County's involvement in determining eligibility, they are considered Federal awards to the County and are included on this schedule.

2. The following are clustered by the N.C. Department of Health and Human Services and are treated separately for State audit requirement purposes:

Subsidized Child Care and Foster Care and Adoption

This page left blank intentionally.