

**GATES COUNTY  
NORTH CAROLINA**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

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

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

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NORTH CAROLINA**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

**FINANCE DIRECTOR: SANDY PITTMAN**

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# GATES COUNTY, NORTH CAROLINA

## AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	List of Principal Officials	
	<b>Financial Section:</b>	
	Independent Auditors' Report	1-2
	Management's Discussion and Analysis	3-11
	<b>Basic Financial Statements - Overview</b>	
	<b>Government-Wide Financial Statements:</b>	
A	Statement of Net Assets	12
B	Statement of Activities	13-14
	<b>Fund Financial Statements:</b>	
C	Balance Sheet - Governmental Funds	15
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	17
F	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	18
G	Statement of Net Assets - Proprietary Funds	19
H	Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	20
I	Statement of Cash Flows - Proprietary Funds	21
J	Statement of Fiduciary Net Assets - Fiduciary Fund	22
	Notes to the Financial Statements	23-50

# GATES COUNTY, NORTH CAROLINA

## AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Required Supplemental Financial Data:</b>	
A-1	Other Post-Employment Benefits - Retiree Health Plan - Required Supplementary Information	51
A-2	Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information	52
	<b>Supplementary Information:</b>	
	<b>General Fund:</b>	
B-1	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund Consolidated	53
B-2	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	54-60
	<b>Revaluation Fund:</b>	
B-3	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	61
	<b>USDA Loan Reserve Fund:</b>	
B-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	62
	<b>Governmental Funds:</b>	
C-1	Combining Balance Sheet - Nonmajor Governmental Funds	63
C-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	64
	<b>Special Revenue Funds:</b>	
D-1	Combining Balance Sheet - Nonmajor Governmental Funds	65

# GATES COUNTY, NORTH CAROLINA

## AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Special Revenue Funds (continued):</b>	
D-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	66
D-3	<b>Emergency Telephone System Fund:</b> Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	67
D-4	<b>Fire Protection Fund:</b> Schedule of Revenues, Expenditures, and Changes Budget and Actual	67
D-5	<b>CDBG Scattered Site Grant Project:</b> Schedule of Revenues and Expenditures - Budget and Actual	69
	<b>Capital Projects Funds:</b>	
E-1	Combining Balance Sheet - Nonmajor Capital Projects Funds	70
E-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds	71
E-3	<b>School Capital Reserve Fund:</b> Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	72
E-4	<b>School Construction Fund:</b> Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	73

# GATES COUNTY, NORTH CAROLINA

## AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Capital Projects Funds (continued):</b>	
E-5	<b>Community Center Project:</b> Schedule of Revenues and Expenditures - Budget and Actual	74
	<b>Enterprise Funds:</b>	
F-1	<b>Landfill Fund:</b> Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	75
F-2	<b>Water Fund:</b> Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	76-77
G-1	<b>Agency Funds:</b> Combining Schedule of Changes in Assets and Liabilities	78-79
H-1	<b>Additional Financial Data:</b> Schedule of Ad Valorem Taxes Receivable - General Fund	80
H-2	Analysis of Current Tax Levy - County-Wide Levy	81

# **GATES COUNTY, NORTH CAROLINA**

## **LIST OF PRINCIPAL OFFICIALS**

**JUNE 30, 2011**

### **Board of Commissioners**

Graham L. Twine, Jr., Chairman  
Ken Jernigan, Vice-Chairman  
John Hora, Commissioner  
Henry L. Jordan, Commissioner  
Jack Owens, Commissioner

### **Principal Officials**

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

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

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

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Gates County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gates County, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gates County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Gates County ABC Board. Those financial statements were audited by another auditor whose report thereon has been furnished to us; and our opinion on the financial statement, insofar as it relates to the amounts included for the Gates County ABC Board, is based solely on the report of the other auditor.

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

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gates County, North Carolina, as of June 30, 2011, the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2011 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 prepared in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 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 assurance.

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of Gates County, North Carolina as a whole. The combining and individual fund financial statements, budget and actual schedules, and the supplemental ad valorem tax schedules 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, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Martin Starnes & Associates, CPAs, P.A.

October 28, 2011

## 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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

### Financial Highlights

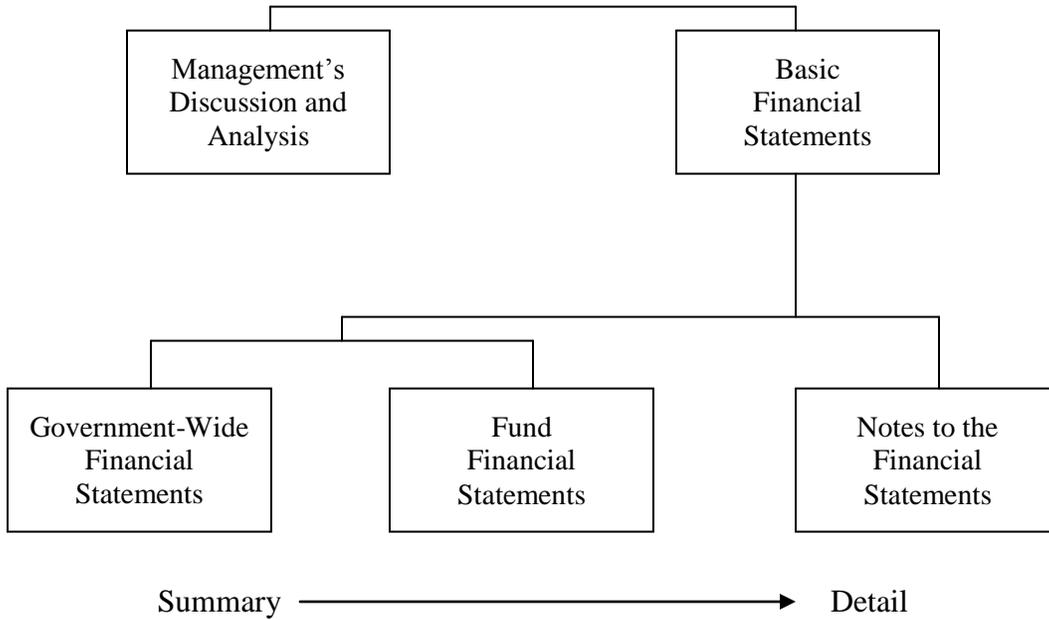
- The assets of Gates County exceeded its liabilities at the close of the fiscal year by \$5,491,622 (*net assets*).
- The County's total net assets increased by \$974,872. The increase was due in part to the completion a capital project in the current year.
- As of the close of the current fiscal year, Gates County's total governmental funds reported combined ending fund balances of \$3,858,283, an increase of \$559,273 from 2010. As discussed above, the increase was due to decreases in capital expenditures from the prior year.
- At the end of the current fiscal year, total fund balance for the General Fund was \$3,405,315, an increase of \$425,280 from 2010; \$117,294 of this amount was due to the Revaluation and USDA loan reserve funds being consolidated into the General Fund as part of GASB 54 reporting requirements. The General Fund reported revenues in excess of expenditures of \$385,746.

### Overview of the Financial Statements

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

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

## **Government-Wide Financial Statements**

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

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

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

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

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

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

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Gates County, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of Gates County can be divided into two categories: governmental funds and proprietary funds.

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

Gates County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board of Commissioners about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the final budget as amended by the Board; 2) the actual resources, charges to appropriations, and ending balances in the General Fund; 3) the difference or variance between the final budget and the actual resources and charges; and 4) the comparative prior year actuals. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

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

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

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit J of this report.

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

## Government-Wide Financial Analysis

### Gates County's Net Assets

Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Assets:</b>						
Current and other assets	\$ 4,492,737	\$ 4,017,546	\$ 2,403,608	\$ 2,383,105	\$ 6,896,345	\$ 6,400,651
Capital assets	<u>3,889,875</u>	<u>3,888,129</u>	<u>4,969,834</u>	<u>5,119,166</u>	<u>8,859,709</u>	<u>9,007,295</u>
Total assets	<u>8,382,612</u>	<u>7,905,675</u>	<u>7,373,442</u>	<u>7,502,271</u>	<u>15,756,054</u>	<u>15,407,946</u>
<b>Liabilities:</b>						
Current liabilities	1,286,877	1,291,405	239,674	258,299	1,526,551	1,549,704
Other liabilities	<u>7,973,993</u>	<u>8,464,134</u>	<u>763,888</u>	<u>877,358</u>	<u>8,737,881</u>	<u>9,341,492</u>
Total liabilities	<u>9,260,870</u>	<u>9,755,539</u>	<u>1,003,562</u>	<u>1,135,657</u>	<u>10,264,432</u>	<u>10,891,196</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	2,086,994	2,044,384	4,135,918	4,141,480	6,222,912	6,185,864
Restricted:						
Stabilization for State statute	750,259	-	-	-	750,259	-
All other	494,875	-	-	-	494,875	-
Unrestricted	<u>(4,210,386)</u>	<u>(3,894,248)</u>	<u>2,233,962</u>	<u>2,225,134</u>	<u>(1,976,424)</u>	<u>(1,669,114)</u>
Total net assets	<u>\$ (878,258)</u>	<u>\$ (1,849,864)</u>	<u>\$ 6,369,880</u>	<u>\$ 6,366,614</u>	<u>\$ 5,491,622</u>	<u>\$ 4,516,750</u>

As noted earlier, net assets, over time, may serve as a useful indicator of a government's financial position. For Gates County, assets exceeded liabilities by \$5,491,622 at the close of the most recent fiscal year.

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

At the end of the current fiscal year, Gates County is reporting deficit unrestricted net assets in the amount of \$(1,976,424) for the government as a whole. It should be noted that the County is carrying roughly \$3 million in debt related to schools. Schools are not recorded as assets on the County's books; they are recorded as assets by the Board of Education.

## Gates County's Changes in Net Assets

### Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,847,586	\$ 1,615,272	\$ 1,670,090	\$ 1,770,703	\$ 3,517,676	\$ 3,385,975
Operating grants and contributions	431,122	711,579	-	-	431,122	711,579
Capital grants and contributions	646,666	341,429	-	11,644	646,666	353,073
General revenues:						
Property taxes	5,955,074	5,899,915	-	-	5,955,074	5,899,915
Local option sales tax	1,710,404	1,571,808	-	-	1,710,404	1,571,808
Other taxes	527,684	454,055	-	-	527,684	454,055
Investment earnings	8,171	13,549	6,202	9,224	14,373	22,773
Total revenues	11,126,707	10,607,607	1,676,292	1,791,571	12,802,999	12,399,178
<b>Expenses:</b>						
General government	1,506,401	1,364,493	-	-	1,506,401	1,364,493
Public safety	1,962,532	2,010,917	-	-	1,962,532	2,010,917
Economic and physical development	1,158,787	1,347,641	-	-	1,158,787	1,347,641
Human services	2,146,660	1,933,340	-	-	2,146,660	1,933,340
Cultural and recreation	341,487	324,775	-	-	341,487	324,775
Education	2,695,963	4,805,408	-	-	2,695,963	4,805,408
Interest on long-term debt	343,271	379,666	-	-	343,271	379,666
Water and sewer	-	-	1,041,134	706,469	1,041,134	706,469
Landfill	-	-	631,892	826,207	631,892	826,207
Total expenses	10,155,101	12,166,240	1,673,026	1,532,676	11,828,127	13,698,916
Change in net assets	971,606	(1,558,633)	3,266	258,895	974,872	(1,299,738)
<b>Net Assets:</b>						
Beginning of year - July 1	(1,849,864)	(927,905)	6,366,614	6,107,719	4,516,750	5,179,814
Prior period adjustment	-	636,674	-	-	-	-
Beginning of year - July 1, as restated	(1,849,864)	(291,231)	6,366,614	6,107,719	4,516,750	5,179,814
End of year - June 30	\$ (878,258)	\$ (1,849,864)	\$ 6,369,880	\$ 6,366,614	\$ 5,491,622	\$ 4,516,750

**Governmental Activities.** Governmental activities increased the County's net assets by \$971,606. Key elements of this increase are as follows:

- Education related expenditures were down \$2,109,444 due to the completion of capital improvements.
- General Fund revenues exceeded expenditures by \$385,746 before transfers and were \$425,280 more than expenditures after transfers.

**Business-Type Activities.** Business-type activities increased Gates County's net assets by \$3,266. Fees in total decreased over the prior year while operating expenses were up \$227,861.

### **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 \$3,858,283, an increase of \$559,273 in comparison with 2010. The increase is attributed primarily to school capital project expenditures in the current year being down.

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 \$2,315,363, while total fund balance for the General Fund reached \$3,405,315. 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 23 percent of total General Fund expenditures, while total fund balance represents 32 percent of that same amount. Available fund balance, which is total fund balance less non spendable fund balance less Stabilization by State statute amounts, totaled \$2,671,149 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 \$460,000. The majority of this increase was attributable to conservatism in estimating restricted intergovernmental revenues.

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

Unrestricted net assets at June 30, 2011 were \$330,678 and \$1,903,284 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 \$8,859,709 (net of accumulated depreciation) as of June 30, 2011. 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	
	2011	2010	2011	2010	2011	2010
Land	\$ 290,237	\$ 290,237	\$ 27,476	\$ 27,476	\$ 317,713	\$ 317,713
Construction in progress	861,360	823,686	-	20,000	861,360	843,686
Buildings	3,315,375	3,315,375	-	-	3,315,375	3,315,375
Other improvements	142,809	57,585	-	-	142,809	57,585
Equipment	774,422	733,682	429,035	421,798	1,203,457	1,155,480
Vehicles	822,833	833,515	175,117	150,672	997,950	984,187
Plant and systems	-	-	9,134,858	9,072,354	9,134,858	9,072,354
Subtotal	6,207,036	6,054,080	9,766,486	9,692,300	15,973,522	15,746,380
Less accumulated depreciation	(2,317,161)	(2,165,951)	(4,796,652)	(4,573,134)	(7,113,813)	(6,739,085)
Total	<u>\$ 3,889,875</u>	<u>\$ 3,888,129</u>	<u>\$ 4,969,834</u>	<u>\$ 5,119,166</u>	<u>\$ 8,859,709</u>	<u>\$ 9,007,295</u>

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

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

### Gates County's Long-Term Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Notes payable	\$ 7,902,504	\$ 8,877,035	\$ 833,916	\$ 977,686	\$ 8,736,420	\$ 9,854,721
Compensated absences	252,996	248,685	26,607	21,176	279,603	269,861
LEO	118,011	-	-	-	118,011	-
OPEB	758,395	375,114	60,963	27,560	819,358	402,674
Total	<u>\$ 9,031,906</u>	<u>\$ 9,500,834</u>	<u>\$ 921,486</u>	<u>\$ 1,026,422</u>	<u>\$ 9,953,392</u>	<u>\$ 10,527,256</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Gates County is \$73,898,599.

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

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

- Gates County finds itself in fiscal year 2011-2012 in better financial condition than most of our neighboring Counties and a significant number of counties in the State of North Carolina. While Counties in our Region are considering such drastic actions as performing reductions in force, raising their property tax rate by up to eight cents, and going into their general fund balance to finance operating expenses for a second year in a row; Gates County has experienced none of these issues. In fact Gates County is not performing a reduction in force, our property tax rate will remain flat for a second consecutive year, and our fund balance will remain unscathed and for its intended purpose of financing large scale and emergency projects.
- Recently the Merchant's Commerce Center has come into greater focus than ever before. Three businesses have committed to relocate inside of the Commerce Center; with several others in the process of performing their due diligence. The Center has received rezoning and subdivision approval from the Gates County Planning Board and the Board of Commissioners. There are significant projects that will begin during the 2011-2012 fiscal year that will continue the Commissioners' quest to expand the width of the tax base and not simply increase the tax rate.
- The property tax rate remains flat at the rate set in 2009, which is \$.64 per \$100 in assessed value.
- The total budget is \$13,004,367 of which \$10,589,703 is related to the General Fund.

All of these factors were considered in preparing Gates County's budget for the 2011-2012 fiscal year.

## **Budget Highlights for the Fiscal Year Ending June 30, 2012**

**Governmental Activities.** During the fiscal year 2010-2011 the annual property tax base decreased by less than 1%. This lack of growth is projected to continue into the next fiscal year.

## **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.

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## GATES COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Gates County
				ABC Board
<b>Assets:</b>				
Cash and cash equivalents	\$ 3,265,898	\$ 2,049,284	\$ 5,315,182	\$ 54,932
Taxes receivable, net	405,490	-	405,490	-
Accounts receivable, net	26,715	330,723	357,438	-
Due from other governments	722,280	5,731	728,011	-
Inventory	-	17,870	17,870	103,434
Prepaid items	-	-	-	923
Cash and cash equivalents, restricted	72,354	-	72,354	-
Capital assets:				
Non-depreciable capital assets	1,151,597	27,476	1,179,073	-
Depreciable capital assets, net	<u>2,738,278</u>	<u>4,942,358</u>	<u>7,680,636</u>	<u>340,251</u>
Total assets	<u>8,382,612</u>	<u>7,373,442</u>	<u>15,756,054</u>	<u>499,540</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	189,094	82,076	271,170	34,133
Unearned revenues	39,870	-	39,870	-
Long-term liabilities:				
Due within one year	1,057,913	157,598	1,215,511	-
Due in more than one year	<u>7,973,993</u>	<u>763,888</u>	<u>8,737,881</u>	<u>-</u>
Total liabilities	<u>9,260,870</u>	<u>1,003,562</u>	<u>10,264,432</u>	<u>34,133</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	2,086,994	4,135,918	6,222,912	340,251
Restricted:				
Stabilization for State statute	750,259	-	750,259	-
All other	494,875	-	494,875	51,276
Unrestricted	<u>(4,210,386)</u>	<u>2,233,962</u>	<u>(1,976,424)</u>	<u>73,880</u>
Total net assets	<u>\$ (878,258)</u>	<u>\$ 6,369,880</u>	<u>\$ 5,491,622</u>	<u>\$ 465,407</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, 2011**

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 1,506,401	\$ 255,431	\$ -	\$ -
Public safety	1,962,532	88,895	-	-
Economic and physical development	1,158,787	25,365	66,906	381,936
Human services	2,146,660	1,477,895	355,328	-
Cultural and recreational	341,487	-	8,888	-
Education	2,695,963	-	-	264,730
Interest on long-term debt	343,271	-	-	-
Total governmental activities	<u>10,155,101</u>	<u>1,847,586</u>	<u>431,122</u>	<u>646,666</u>
<b>Business-Type Activities:</b>				
Landfill Fund	631,892	744,261	-	-
Water and Sewer Fund	1,041,134	925,829	-	-
Total business-type activities	<u>1,673,026</u>	<u>1,670,090</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 11,828,127</u>	<u>\$ 3,517,676</u>	<u>\$ 431,122</u>	<u>\$ 646,666</u>
<b>Component Unit:</b>				
ABC Board	<u>\$ 565,366</u>	<u>\$ 546,239</u>	<u>\$ -</u>	<u>\$ 2,550</u>

**General Revenues:**

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Investment earnings, unrestricted

Total general revenues

Change in net assets

**Net Assets:**

Beginning of year - July 1

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 Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Gates County ABC Board
\$ (1,250,970)	\$ -	\$ (1,250,970)	
(1,873,637)	-	(1,873,637)	
(684,580)	-	(684,580)	
(313,437)	-	(313,437)	
(332,599)	-	(332,599)	
(2,431,233)	-	(2,431,233)	
(343,271)	-	(343,271)	
<u>(7,229,727)</u>	<u>-</u>	<u>(7,229,727)</u>	
-	112,369	112,369	
-	(115,305)	(115,305)	
-	(2,936)	(2,936)	
<u>(7,229,727)</u>	<u>(2,936)</u>	<u>(7,232,663)</u>	
			\$ <u>(16,577)</u>
5,955,074	-	5,955,074	-
1,710,404	-	1,710,404	-
527,684	-	527,684	-
8,171	6,202	14,373	114
<u>8,201,333</u>	<u>6,202</u>	<u>8,207,535</u>	<u>114</u>
971,606	3,266	974,872	(16,463)
<u>(1,849,864)</u>	<u>6,366,614</u>	<u>4,516,750</u>	<u>481,870</u>
<u>\$ (878,258)</u>	<u>\$ 6,369,880</u>	<u>\$ 5,491,622</u>	<u>\$ 465,407</u>

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

**GATES COUNTY, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 2,809,316	\$ 456,582	\$ 3,265,898
Taxes receivable, net	405,490	-	405,490
Accounts receivable, net	12,776	13,939	26,715
Due from other governments	720,126	2,154	722,280
Due from other funds	1,264	-	1,264
Cash and cash equivalents, restricted	<u>72,354</u>	<u>-</u>	<u>72,354</u>
Total assets	<u>\$ 4,021,326</u>	<u>\$ 472,675</u>	<u>\$ 4,494,001</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 170,651	\$ 18,443	\$ 189,094
Due to other funds	-	1,264	1,264
Deferred revenue	<u>445,360</u>	<u>-</u>	<u>445,360</u>
Total liabilities	<u>616,011</u>	<u>19,707</u>	<u>635,718</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization for State statute	734,166	16,093	750,259
Restricted, all other	56,550	438,325	494,875
Committed	23,695	-	23,695
Assigned	275,541	-	275,541
Unassigned	<u>2,315,363</u>	<u>(1,450)</u>	<u>2,313,913</u>
Total fund balances	<u>3,405,315</u>	<u>452,968</u>	<u>3,858,283</u>
Total liabilities and fund balances	<u>\$ 4,021,326</u>	<u>\$ 472,675</u>	

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

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	3,889,875
Deferred revenues 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 Assets.	405,490
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(9,031,906)</u>
Net assets of governmental activities, per Exhibit A	<u>\$ (878,258)</u>

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

## GATES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 6,028,299	\$ -	\$ 6,028,299
Local option sales taxes	1,710,404	-	1,710,404
Other taxes and licenses	34,502	432,321	466,823
Unrestricted intergovernmental revenues	60,861	-	60,861
Restricted intergovernmental revenues	2,388,566	187,532	2,576,098
Permits and fees	98,134	-	98,134
Sales and services	219,528	-	219,528
Investment earnings	7,233	938	8,171
Miscellaneous	31,613	-	31,613
Total revenues	<u>10,579,140</u>	<u>620,791</u>	<u>11,199,931</u>
<b>Expenditures:</b>			
Current:			
General government	1,414,567	-	1,414,567
Public safety	1,502,263	348,937	1,851,200
Economic and physical development	976,767	68,559	1,045,326
Human services	1,983,236	-	1,983,236
Cultural and recreational	317,680	-	317,680
Education	2,681,079	14,884	2,710,847
Debt service:			
Principal	974,531	-	974,531
Interest	343,271	-	343,271
Total expenditures	<u>10,193,394</u>	<u>432,380</u>	<u>10,640,658</u>
Revenues over (under) expenditures	<u>385,746</u>	<u>188,411</u>	<u>559,273</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	128,913	89,379	218,292
Transfer to other funds	(89,379)	(128,913)	(218,292)
Total other financing sources (uses)	<u>39,534</u>	<u>(39,534)</u>	<u>-</u>
Net change in fund balances	425,280	148,877	559,273
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>2,980,035</u>	<u>304,091</u>	<u>3,299,010</u>
End of year - June 30	<u>\$ 3,405,315</u>	<u>\$ 452,968</u>	<u>\$ 3,858,283</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, 2011

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

Net changes in fund balances - total governmental funds (Exhibit B)	\$ 559,273
<p>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:</p>	
Property taxes	(73,225)
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.	270,236
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(268,490)
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.)	974,531
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.	(383,281)
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.	<u>(107,438)</u>
Total changes in net assets of governmental activities	<u>\$ 971,606</u>

*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, 2011**

	<b>General Fund</b>			<b>Variance from Final Budget Over/Under</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 5,952,560	\$ 5,952,558	\$ 6,028,299	\$ 75,741
Local option sales taxes	1,665,000	1,665,000	1,710,404	45,404
Other taxes and licenses	34,000	35,700	34,502	(1,198)
Unrestricted intergovernmental revenues	28,250	64,527	60,861	(3,666)
Restricted intergovernmental revenues	2,123,226	2,510,477	2,388,566	(121,911)
Permits and fees	119,700	119,700	98,134	(21,566)
Sales and services	176,262	206,768	219,528	12,760
Investment earnings	10,000	10,000	7,111	(2,889)
Miscellaneous	20,900	26,914	31,613	4,699
Total revenues	<u>10,129,898</u>	<u>10,591,644</u>	<u>10,579,018</u>	<u>(12,626)</u>
<b>Expenditures:</b>				
Current:				
General government	1,328,381	1,581,435	1,414,567	166,868
Public safety	1,576,094	1,601,091	1,502,263	98,828
Economic and physical development	899,152	1,211,493	976,767	234,726
Human services	1,979,354	2,085,093	1,983,236	101,857
Cultural and recreational	334,352	334,352	317,680	16,672
Intergovernmental:				
Education	2,681,079	2,681,079	2,681,079	-
Debt service:				
Principal retirement	967,274	967,274	974,531	(7,257)
Interest and other charges	343,778	343,778	343,271	507
Total expenditures	<u>10,109,464</u>	<u>10,805,595</u>	<u>10,193,394</u>	<u>612,201</u>
Revenues over (under) expenditures	<u>20,434</u>	<u>(213,951)</u>	<u>385,624</u>	<u>599,575</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	10,100	128,975	128,913	(62)
Transfers to other funds	(44,985)	(134,365)	(134,364)	1
Appropriated fund balance	14,451	219,341	-	(219,341)
Total other financing sources (uses)	<u>(20,434)</u>	<u>213,951</u>	<u>(5,451)</u>	<u>(219,402)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	380,173	<u>\$ 380,173</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>2,907,848</u>	
End of year - June 30			<u>\$ 3,288,021</u>	

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

## GATES COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	Enterprise Funds		
	Landfill Fund	Water Fund	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 226,079	\$ 1,823,205	\$ 2,049,284
Receivables, net	163,581	167,142	330,723
Due from other governments	-	5,731	5,731
Inventories	-	17,870	17,870
Total current assets	<u>389,660</u>	<u>2,013,948</u>	<u>2,403,608</u>
Capital assets:			
Land, improvements, and construction in progress	-	27,476	27,476
Other capital assets, net of depreciation	-	4,942,358	4,942,358
Total capital assets	-	<u>4,969,834</u>	<u>4,969,834</u>
Total assets	<u>389,660</u>	<u>6,983,782</u>	<u>7,373,442</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	58,982	19,388	78,370
Other accrued liabilities	-	3,706	3,706
Current portion of accrued vacation	-	6,652	6,652
Current portion of notes payable	-	150,946	150,946
Total current liabilities	<u>58,982</u>	<u>180,692</u>	<u>239,674</u>
Non-current liabilities:			
Compensated absences	-	19,955	19,955
Notes payable	-	682,970	682,970
Other post-employment benefits	-	60,963	60,963
Total non-current liabilities	-	<u>763,888</u>	<u>763,888</u>
Total liabilities	<u>58,982</u>	<u>944,580</u>	<u>1,003,562</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	-	4,135,918	4,135,918
Unrestricted	<u>330,678</u>	<u>1,903,284</u>	<u>2,233,962</u>
Total net assets	<u>\$ 330,678</u>	<u>\$ 6,039,202</u>	<u>\$ 6,369,880</u>

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

## GATES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Funds		
	Landfill Fund	Water Fund	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 711,027	\$ 875,937	\$ 1,586,964
Water and sewer taps	-	19,750	19,750
Miscellaneous	33,234	27,756	60,990
Total operating revenues	<u>744,261</u>	<u>923,443</u>	<u>1,667,704</u>
<b>Operating Expenses:</b>			
Water operations	-	771,166	771,166
Landfill operations	631,892	-	631,892
Depreciation	-	223,518	223,518
Total operating expenses	<u>631,892</u>	<u>994,684</u>	<u>1,626,576</u>
Operating income (loss)	<u>112,369</u>	<u>(71,241)</u>	<u>41,128</u>
<b>Non-Operating Revenues (Expenses):</b>			
Sales tax refund	-	2,386	2,386
Investment earnings	517	5,685	6,202
Interest expense	-	(46,450)	(46,450)
Total non-operating revenues (expenses)	<u>517</u>	<u>(38,379)</u>	<u>(37,862)</u>
Change in net assets	112,886	(109,620)	3,266
<b>Net Assets:</b>			
Beginning of year - July 1	<u>217,792</u>	<u>6,148,822</u>	<u>6,366,614</u>
End of year - June 30	<u>\$ 330,678</u>	<u>\$ 6,039,202</u>	<u>\$ 6,369,880</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, 2011

	Enterprise Funds		
	Landfill Fund	Water Fund	Total
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 710,916	\$ 869,106	\$ 1,580,022
Cash paid for goods and services	(674,480)	(444,794)	(1,119,274)
Cash paid to employees for services	-	(270,351)	(270,351)
Other operating revenues	33,234	27,756	60,990
Net cash provided (used) by operating activities	<u>69,670</u>	<u>181,717</u>	<u>251,387</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	-	(74,186)	(74,186)
Principal paid on bond maturities and equipment contracts	-	(143,770)	(143,770)
Interest paid on bond maturities equipment contracts	-	(46,449)	(46,449)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(264,405)</u>	<u>(264,405)</u>
<b>Cash Flows from Non-Capital and Related Activities:</b>			
Other non-operating revenues	-	2,386	2,386
Net cash provided (used) by non-capital and related financing activities	<u>-</u>	<u>2,386</u>	<u>2,386</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	518	5,685	6,203
Net increase (decrease) in cash and cash equivalents	70,188	(74,617)	(4,429)
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	155,891	1,897,822	2,053,713
End of year - June 30	<u>\$ 226,079</u>	<u>\$ 1,823,205</u>	<u>\$ 2,049,284</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 112,369	\$ (71,241)	\$ 41,128
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	223,518	223,518
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(111)	(26,581)	(26,692)
(Increase) decrease in inventory	-	1,757	1,757
Increase (decrease) in accounts payable and accrued liabilities	(42,588)	11,691	(30,897)
Increase (decrease) in accrued vacation pay	-	9,170	9,170
Increase (decrease) in OPEB payable	-	33,403	33,403
Total adjustments	<u>(42,699)</u>	<u>252,958</u>	<u>210,259</u>
Net cash provided (used) by operating activities	<u>\$ 69,670</u>	<u>\$ 181,717</u>	<u>\$ 251,387</u>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>			
Contributions of capital assets	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>

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

**GATES COUNTY, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET ASSETS**

**FIDUCIARY FUND**

**JUNE 30, 2011**

	<u>Agency Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 63,299
Receivables	<u>2,371</u>
Total assets	<u>\$ 65,670</u>
 <b>Liabilities:</b>	
Miscellaneous liabilities	<u>\$ 65,670</u>

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

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

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 Statement Number 14 defines 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.

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, 2011

### B. Basis of Presentation

**Government-Wide Statements.** The Statement of Net Assets 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, 2011

The County reports the following nonmajor governmental funds:

**Special Revenue Funds.** Special revenue funds account for specific revenue sources that are legally restricted to expenditures for specified purposes. The County maintains three special revenue funds: Emergency Telephone System Fund, Fire Protection Fund, and CDBG Scattered Site Grant Project.

**School Construction Fund Capital Project Fund.** This fund is used to account for the construction of new school projects in the County.

**Community Center Construction Capital Project Fund.** This fund is used to account for the construction of a new community center.

**School Capital Reserve Fund.** This fund is used to account for the accumulation of resources for future school related construction.

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

The County reports the following fund types:

**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 eight Agency Funds: Social Services Fund, which accounts for monies deposited with the Social Services Department for the benefit of certain individuals; Extension Director Funds, which accounts for the monies deposited in a trust to be used to provide cooperative services to citizens; 4-H Fund, which provides youth development services, Drainage District I, Drainage District II, Drainage District III, DMV Fund, and the Town of Gatesville.

### 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 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

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Gates County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

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.

# **GATES COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011**

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues. All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

### **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, the School Capital Reserve Fund, and the enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the CDBG Scattered Site Housing special revenue fund and all the capital projects 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 Finance Officer if they are consistent with operational needs and do not exceed \$1,000.. During the year, several 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, and Fund Equity**

#### **Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund.

# **GATES COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011**

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 also classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

### **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, 2010. As allowed by State law, the County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

### **Allowances for Doubtful Accounts**

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

### **Capital Assets**

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

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

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

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

### **Deferred/Unearned Revenues**

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

### **Net Assets/Fund Balances**

#### **Net Assets**

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent 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 in tact.

#### **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)].

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

*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.

*Restricted for Economic and Physical Development* – portion of fund balance restricted by revenue source for the CDBG Scattered Site Grant program.

Restricted fund balance at June 30, 2011 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Restricted, all other:</b>			
Register of Deeds	\$ 7,911	\$ -	\$ 7,911
General Government	38,483	-	38,483
Public Safety	10,156	438,219	448,375
Economic and Physical Development	-	106	106
Total	<u>\$ 56,550</u>	<u>\$ 438,325</u>	<u>\$ 494,875</u>

### Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Gates County's governing body (highest level of decision making authority, the Board of Commissioners). Any changes or removal of specific purpose restrictions requires majority action by the governing body.

*Committed for Tax Revaluation* – portion of fund balance that can only be used for tax revaluation.

### 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 Finance Officer, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

*Assigned for Education* – portion of fund balance budgeted by the board to be used to support public education.

**GATES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

Assigned fund balance at June 30, 2011 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Education	\$ 241,836	\$ -	\$ 241,836
Debt Service	33,705	-	33,705
Total assigned fund balance	<u>\$ 275,541</u>	<u>\$ -</u>	<u>\$ 275,541</u>

**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.

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	\$ 3,405,315
Less:	
Stabilization by State statute	<u>734,166</u>
Total available fund balance	<u>\$ 2,671,149</u>

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 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 is 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	\$ 3,288,021
<b>Tax Revaluation Fund:</b>	
Investment earnings	122
Transfer in	33,750
Fund balance, beginning	38,482
<b>USDA Loan Fund:</b>	
Transfer in	11,235
Fund balance, beginning	33,705
Fund balance, ending Exhibit D	<u>\$ 3,405,315</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.

### Comparative Data/Reclassifications

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the County's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide enhanced understanding of the County's financial position and operations or would cause the statements to be unduly complex or difficult to understand. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

# **GATES COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011**

### **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, 2011, the County's bank deposits had a carrying amount of \$1,493,104 and a bank balance of \$1,594,725. Of the bank balance, \$253,236 was covered by federal depository insurance, and \$1,341,489 was covered by the Pooling Method. At June 30, 2011, Gates County had \$830 cash on hand.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### Investments

At June 30, 2011, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Less Than 12 Months</u>
North Carolina Capital Management Trust - Cash portfolio	AAA	\$ 2,983,797	\$ 2,983,797
Term portfolio		973,104	973,104
Total investments		<u>\$ 3,956,901</u>	<u>\$ 3,956,901</u>

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

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

### 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. As of June 30, 2011, the deferment related to these properties was \$203,885,124 in valuation, and the deferred tax associated with the properties was \$1,304,865.

### 4. Receivables

Receivables at Exhibit A at June 30, 2011 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>
<b>Accounts Receivable:</b>			
Other accounts receivable	\$ 26,715	\$ -	\$ 26,715
Customer/client billings	-	330,723	330,723
Total	<u>\$ 26,715</u>	<u>\$ 330,723</u>	<u>\$ 357,438</u>
<b>Due from Other Governments:</b>			
Sales tax refund	\$ 722,280	\$ 5,731	\$ 728,011
Total	<u>\$ 722,280</u>	<u>\$ 5,731</u>	<u>\$ 728,011</u>

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### Allowances for Doubtful Accounts

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

Fund	Allowance
<b>Governmental Activities:</b>	
Property taxes - General Fund	\$ 307,136
Total	\$ 307,136
 <b>Business-Type Activities:</b>	
Landfill Fund	\$ 41,004
Water Fund	40,574
Total	\$ 81,578

## 5. Capital Assets

### Governmental Capital Assets

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

	July 1, 2010	Additions	Retirements	June 30, 2011
<b>Governmental Activities</b>				
<b>Non-Depreciable Assets:</b>				
Land	\$ 290,237	\$ -	\$ -	\$ 290,237
Construction in progress	823,686	37,674	-	861,360
Total non-depreciable assets	1,113,923	37,674	-	1,151,597
<b>Depreciable Assets:</b>				
Buildings	3,315,375	-	-	3,315,375
Other improvements	57,585	85,224	-	142,809
Equipment	733,682	48,740	(8,000)	774,422
Vehicles and motorized equipment	833,515	98,598	(109,280)	822,833
Total depreciable assets	4,940,157	232,562	(117,280)	5,055,439
<b>Less Accumulated Depreciation:</b>				
Buildings	1,367,823	76,909	-	1,444,732
Other improvements	28,653	4,230	-	32,883
Equipment	272,548	63,095	(8,000)	327,643
Vehicles and motorized equipment	496,927	124,256	(109,280)	511,903
Total accumulated depreciation	2,165,951	268,490	(117,280)	2,317,161
Depreciable capital assets, net	2,774,206	(35,928)	-	2,738,278
Capital assets, net	\$ 3,888,129	\$ 1,746	\$ -	\$ 3,889,875

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

**Governmental Activities:**

General government	\$	48,328
Public safety		61,752
Human services		83,231
Economic and physical development		56,385
Cultural and recreational		18,794
Total	\$	<u>268,490</u>

**Proprietary Capital Assets**

The capital assets of the proprietary funds at June 30, 2011 are as follows:

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2011</u>
<b>Water Fund:</b>				
<b>Non-Depreciable Assets:</b>				
Land	\$ 27,476	\$ -	\$ -	\$ 27,476
Construction in progress	<u>20,000</u>	<u>17,504</u>	<u>(37,504)</u>	<u>-</u>
Total non-depreciable assets	<u>47,476</u>	<u>17,504</u>	<u>(37,504)</u>	<u>27,476</u>
<b>Depreciable Assets:</b>				
Plant and systems	9,072,354	62,504	-	9,134,858
Furniture and maintenance equipment	421,798	7,237	-	429,035
Vehicles	<u>150,672</u>	<u>24,445</u>	<u>-</u>	<u>175,117</u>
Total depreciable assets	<u>9,644,824</u>	<u>94,186</u>	<u>-</u>	<u>9,739,010</u>
<b>Less Accumulated Depreciation:</b>				
Plant and distribution systems	4,200,486	182,072	-	4,382,558
Furniture and maintenance equipment	270,820	25,933	-	296,753
Vehicles	<u>101,828</u>	<u>15,513</u>	<u>-</u>	<u>117,341</u>
Total accumulated depreciation	<u>4,573,134</u>	<u>223,518</u>	<u>-</u>	<u>4,796,652</u>
Depreciable capital assets, net	<u>5,071,690</u>	<u>(129,332)</u>	<u>-</u>	<u>4,942,358</u>
Water Fund capital assets, net	<u>\$ 5,119,166</u>	<u>\$ (111,828)</u>	<u>\$ -</u>	<u>\$ 4,969,834</u>

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### Invested in Capital Assets, Net of Related Debt

The total invested in capital assets, net of related debt, at June 30, 2011 is composed of the following elements:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets	\$ 3,889,875	\$ 4,969,834
Long-term debt	(7,902,504)	(833,916)
Long-term debt for assets, not owned by the County	6,099,623	-
Invested in capital assets, net of related debt	<u>\$ 2,086,994</u>	<u>\$ 4,135,918</u>

### 6. Accounts Payable and Accrued Expenses

#### Disaggregation Information

<b>Type of Payable</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Trade payables	\$ 189,094	\$ 82,076	\$ 271,170
Total	<u>\$ 189,094</u>	<u>\$ 82,076</u>	<u>\$ 271,170</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 6.49% and 6.91%, 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, 2011, 2010, and 2009 were \$283,059, \$243,842, and \$244,586, respectively.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### Law Enforcement Officers' Special Separation Allowance

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

All full-time County law enforcement officers are covered by the Separation Allowance. At June 30, 2011, 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. 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, 2009 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, 2010 was 20 years.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

**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:

Interest on net pension obligation	5,307
Adjustment to annual required contribution	(5,682)
Annual pension cost	11,877
Employer contribution made for fiscal year ended June 30, 2011	-
Increase in net pension obligation	11,877
Net pension obligation, beginning of year	106,134
Net pension obligation, end of year	\$ 118,011

### Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	\$ 12,996	0.00%	\$ 92,998
6/30/2010	13,136	0.00%	106,134
6/30/2011	11,877	0.00%	118,011

**Funding Status and Funding Progress.** As of December 31, 2010, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$80,704. The covered payroll (annual payroll of active employees covered by the plan) was \$420,215, and the ratio of the UAAL to the covered payroll was 19.21%.

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) 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.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

**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, 2011 were \$28,883, which consisted of \$20,535 from the County and \$1,045 (\$8,348 with loan payments) 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 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2011, the County's required and actual contributions were \$785.

### **Other Post-Employment Benefits-Healthcare**

**Plan Description.** The County provides healthcare benefits through a single-employer defined benefit plan to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System, have 20 years of creditable service with the County, and meet requirements for full retirement under the Local Governmental Employee's Retirement System. The County pays the full cost of coverage for these benefits. Currently, seven retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2011, the County made payments for post-retirement health benefit premiums of \$40,041. A separate report was not issued for the plan.

**GATES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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

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

**Funding Policy.** The County pays 100% of the cost of coverage for the healthcare benefits paid to qualified retirees with twenty (20) years of uninterrupted service immediately preceding coverage to the County under a County resolution that can be amended by the Board of County Commissioners. The County's members pay the current active employee rate for dependent coverage, if the retiree elects to purchase the coverage. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 18.73% of annual covered payroll. For the current year, the County contributed \$40,041, or 1.51% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to the plan is established and may be amended by the Board of County Commissioners.

**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.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Annual required contribution	\$ 418,153	\$ 36,361	\$ 454,514
Interest on net OPEB obligation	14,818	1,289	16,107
Adjustments to annual required contribution	(12,784)	(1,112)	(13,896)
Annual OPEB cost (expense)	420,187	36,538	456,725
Contributions made	(36,906)	(3,135)	(40,041)
Increase (decrease) in net OPEB obligation	383,281	33,403	416,684
Net OPEB Obligation:			
Beginning of year - July 1	375,114	27,560	402,674
End of year - June 30	<u>\$ 758,395</u>	<u>\$ 60,963</u>	<u>\$ 819,358</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 438,086	8.10%	\$ 402,674
2011	456,725	8.80%	819,358

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

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

### **Other Employment Benefits**

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

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 8. Deferred/Unearned Revenues

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

	<b>General Fund</b>
Prepaid taxes not yet earned	\$ 39,870
Taxes receivable (net)	405,490
Total	\$ 445,360

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

	<b>Governmental Activities</b>	<b>Total</b>
Prepaid taxes	\$ 39,870	\$ 39,870
Total	\$ 39,870	\$ 39,870

### 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, 2011:

	<b>Balance July 1, 2010</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2011</b>	<b>Current Portion of Balance</b>
<b>Governmental Activities:</b>					
Notes payable	\$ 8,877,035	\$ -	\$ (974,531)	\$ 7,902,504	\$ 994,664
OPEB liability	375,114	420,187	(36,906)	758,395	-
LEO liability	-	118,011	-	118,011	-
Compensated absences	248,685	122,723	(118,412)	252,996	63,249
Total governmental activities	\$ 9,500,834	\$ 660,921	\$ (1,129,849)	\$ 9,031,906	\$ 1,057,913
<b>Business-Type Activities:</b>					
Notes payable	\$ 977,686	\$ -	\$ (143,770)	\$ 833,916	\$ 150,946
OPEB liability	27,560	36,538	(3,135)	60,963	-
Compensated absences	21,176	11,475	(6,044)	26,607	6,652
Total business-type activities	\$ 1,026,422	\$ 48,013	\$ (152,949)	\$ 921,486	\$ 157,598

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

North Carolina General Statutes limit certain indebtedness of the County to an amount not greater than 8% of the appraised value of property subject to taxation by the County. At June 30, 2011, the legal debt limit and legal debt margin given no bonded debt outstanding totaled \$73,898,599.

### Notes Payable

#### Serviced by General Fund:

3.65% note with Southern Bank & Trust Company, issued to refinance Gates County High School on 7/30/2003, payable in semi-annual installments of \$281,263, including interest; matures July 2013; secured by Gates County High School \$ 1,332,956

3.74% note refinancing, payable in annual installments of \$6,752, including interest; Original issuance on 1/13/2006 for Register of Deed's equipment. Note matures on July 2013; secured by Register of Deeds' equipment 18,830

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 4,766,667

4.25% note, payable in annual installments of \$83,440, including interest Original issuance of \$1,400,00, with the United States Department of Agriculture Rural Development, to finance the construction of Social Services Building; matures September 2037; secured by Social Services building 1,325,085

4.25% note, payable in annual installments of \$28,902, including interest Original issuance of \$1,400,00, with the United States Department of Agriculture Rural Development, to finance the construction of Social Services Building; matures September 2037; secured by Social Services building 458,966

Total notes payable \$ 7,902,504

#### Serviced by Water Fund:

4.90% note, payable in semi-annual installments of \$95,110, including interest; Original issuance of \$1,954,190 on 12/12/2001 with Southern Bank & Trust for County water system improvements; matures July 2016 \$ 833,916

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Annual debt service requirements to maturity for the County's notes payable are as follows:

Year Ending <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 994,664	\$ 305,891	\$ 150,946	\$ 39,274
2013	1,015,551	267,757	158,480	31,741
2014	755,852	228,846	166,388	23,832
2015	474,710	204,627	174,693	15,527
2016	476,469	185,622	183,409	6,809
2017-2021	2,411,450	640,302	-	-
2022-2026	734,747	273,233	-	-
2027-2031	371,144	190,566	-	-
2032-2036	457,007	104,703	-	-
2037-2038	210,910	13,534	-	-
Total	<u>\$ 7,902,504</u>	<u>\$ 2,415,081</u>	<u>\$ 833,916</u>	<u>\$ 117,183</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 a self-funded risk financing pool administered by the North Carolina Association of County Commissioners. Through this pool, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$350,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pool is audited annually by certified public accountants, and the audited financial statements are available to the County upon request.

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

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

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

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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 thirty years after closure. As indicated in Note 15, the County participates in two joint ventures in connection with handling solid waste disposal - Perquimans-Gates Waste Management and Albemarle Regional Solid Waste Authority.

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

### 12. Interfund Balances and Activity

#### Dues To/From Other Funds

The composition of interfund balances at June 30, 2011 is as follows:

	Receivable Fund	Payable Fund
General Fund	\$ 1,264	\$ -
Nonmajor capital project funds	-	1,264
Total	\$ 1,264	\$ 1,264

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

#### Transfer To/From Other Funds

Transfers to/from other funds at June 30, 2011 consist of the following:

From the Community Center Capital Project Fund to the General Fund to close out the fund	\$ 118,874
From the School Capital Reserve Fund to the General Fund to cover general expenditures	10,039
From the General Fund to the Emergency Telephone System Fund to cover normal operating expenditures	89,379

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

### 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. In accordance with the intergovernmental agreement between the participating governments, the County paid \$622,100 for operating costs. Albemarle Regional Health acts as fiscal agent to the landfill.

The County participates in a joint venture to operate Albemarle Regional Library (Library) which serves a four-County district. Gates County appoints three members to the ten-member district Library Board. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2011. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$90,000 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's office on Tryon Street, Winton, North Carolina 27986.

The County also participates in a joint venture to operate Albemarle Regional Health Services with seven other counties. The area Board of Commissioners appoints the fifteen-member governing board. The County has an ongoing financial responsibility for Albemarle Regional Health Services because the County is required by State statute to provide public health services either directly or jointly with other counties. Neither of the participating governments have any equity interest in Albemarle Regional Health Services, so no equity interest has been reflected in the financial statements at June 30, 2011. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$118,273 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.

### 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 \$7,693 to the Commission during the fiscal year ended June 30, 2011.

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

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The County, in conjunction with other counties, participates in East Carolina Behavioral Health, a local management entity for mental health care services. These entities provide mental health services to the residents of the participating counties through satellite offices. The County contributed \$39,816 to this organization during the fiscal year ended June 30, 2011.

### 15. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 8,038,517	\$ 3,338,820
WIC	154,940	-
IV- E Foster Care	225,920	8,299
Energy Assistance	142,664	-
TANF	194,857	(4)
SA Domiciliary Care	-	78,965
Total	<u>\$ 8,756,898</u>	<u>\$ 3,426,080</u>

### 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.

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## GATES COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011

## 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%

## Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2011	\$ 454,514	\$ 40,041	8.81%
2010	438,086	35,412	8.10%

## Notes to the Required Schedules:

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

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

\* Includes inflation at 3.75%

## GATES COUNTY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) -		Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
		Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)			
12/31/2005	\$ -	\$ 42,322	\$ 42,322	0.00%	\$ 286,527	14.77%
12/31/2010	-	80,704	80,704	0.00%	420,215	19.21%

**Schedule of Employer Contributions**

Year Ended June 30	Annual Required Contribution	Percentage of ARC Contributed
2009	\$ 12,996	0.00%
2010	13,138	0.00%
2011	12,252	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	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	Ranges from 4.25 to 7.85%
*Includes inflation at	3.00%
Cost-of-living adjustments	None

## GATES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES -ACTUAL - GENERAL FUND CONSOLIDATED  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Revaluation Fund</u>	<u>USDA Loan Fund</u>	<u>Eliminations</u>	<u>Total General Fund</u>
<b>Revenues:</b>					
Ad valorem taxes	\$ 6,028,299	\$ -	\$ -	\$ -	\$ 6,028,299
Local option sales taxes	1,710,404	-	-	-	1,710,404
Other taxes and licenses	34,502	-	-	-	34,502
Unrestricted intergovernmental revenues	60,861	-	-	-	60,861
Restricted intergovernmental revenues	2,388,566	-	-	-	2,388,566
Permits and fees	98,134	-	-	-	98,134
Sales and services	219,528	-	-	-	219,528
Investment earnings	7,111	122	-	-	7,233
Miscellaneous	31,613	-	-	-	31,613
Total revenues	<u>10,579,018</u>	<u>122</u>	<u>-</u>	<u>-</u>	<u>10,579,140</u>
<b>Expenditures:</b>					
Current:					
General government	1,414,567	-	-	-	1,414,567
Public safety	1,502,263	-	-	-	1,502,263
Economic and physical development	976,767	-	-	-	976,767
Human services	1,983,236	-	-	-	1,983,236
Cultural and recreational	317,680	-	-	-	317,680
Education	2,681,079	-	-	-	2,681,079
Debt service:					
Principal	974,531	-	-	-	974,531
Interest	343,271	-	-	-	343,271
Total expenditures	<u>10,193,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,193,394</u>
Revenues over (under) expenditures	<u>385,624</u>	<u>122</u>	<u>-</u>	<u>-</u>	<u>385,746</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	128,913	33,750	11,235	(44,985)	128,913
Transfer to other funds	(134,364)	-	-	44,985	(89,379)
Total other financing sources (uses)	<u>(5,451)</u>	<u>33,750</u>	<u>11,235</u>	<u>-</u>	<u>39,534</u>
Net change in fund balances	<u>380,173</u>	<u>33,872</u>	<u>11,235</u>	<u>-</u>	<u>425,280</u>
<b>Fund Balances:</b>					
Beginning of year - July 1	<u>2,907,848</u>	<u>38,482</u>	<u>33,705</u>		<u>2,980,035</u>
End of year - June 30	<u>\$ 3,288,021</u>	<u>\$ 72,354</u>	<u>\$ 44,940</u>		<u>\$ 3,405,315</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, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 5,949,058	\$ 6,025,965	\$ 76,907	\$ 5,980,241
Penalties and interest	3,500	2,334	(1,166)	3,914
Total	<u>5,952,558</u>	<u>6,028,299</u>	<u>75,741</u>	<u>5,984,155</u>
<b>Local Option Sales Taxes:</b>				
Article 39	345,000	334,506	(10,494)	349,362
Article 40 one-half of one percent	575,000	589,347	14,347	581,506
Article 42 one-half of one percent	210,000	182,945	(27,055)	285,569
Article 44	-	(7,870)	(7,870)	11,682
Medicaid Hold Harmless payment	<u>535,000</u>	<u>611,476</u>	<u>76,476</u>	<u>343,689</u>
Total	<u>1,665,000</u>	<u>1,710,404</u>	<u>45,404</u>	<u>1,571,808</u>
<b>Other Taxes and Licenses:</b>				
Tax refunds	15,000	17,698	2,698	12,499
Deep stamp excise tax	17,500	13,722	(3,778)	16,673
Privilege licenses	1,000	1,000	-	-
ABC bottle tax	<u>2,200</u>	<u>2,082</u>	<u>(118)</u>	<u>1,128</u>
Total	<u>35,700</u>	<u>34,502</u>	<u>(1,198)</u>	<u>30,300</u>
<b>Unrestricted Intergovernmental Revenues:</b>				
Payments in lieu of taxes	10,000	7,486	(2,514)	10,624
Beer and wine tax	50,777	50,778	1	16,458
Cable franchise fees	1,750	1,597	(153)	1,803
ABC distributions	<u>2,000</u>	<u>1,000</u>	<u>(1,000)</u>	<u>2,000</u>
Total	<u>64,527</u>	<u>60,861</u>	<u>(3,666)</u>	<u>30,885</u>
<b>Restricted Intergovernmental Revenues:</b>				
Federal and State grants	<u>2,510,477</u>	<u>2,388,566</u>	<u>(121,911)</u>	<u>2,003,118</u>
Total	<u>2,510,477</u>	<u>2,388,566</u>	<u>(121,911)</u>	<u>2,003,118</u>
<b>Permits and Fees:</b>				
Building permits	75,000	59,548	(15,452)	67,271
Register of Deeds	<u>44,700</u>	<u>38,586</u>	<u>(6,114)</u>	<u>43,318</u>
Total	<u>119,700</u>	<u>98,134</u>	<u>(21,566)</u>	<u>110,589</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, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
<b>Sales and Services:</b>				
Transportation fares	24,459	16,713	(7,746)	18,308
Rents, concessions, and fees	90,709	118,860	28,151	77,894
Jail fees	32,500	25,984	(6,516)	39,528
School resource officer	35,600	33,480	(2,120)	36,241
Court facilities fees	23,500	24,491	991	13,382
Total	206,768	219,528	12,760	185,353
<b>Investment Earnings</b>	10,000	7,111	(2,889)	10,153
<b>Miscellaneous:</b>				
Insurance reimbursement	-	1,622	1,622	-
Sale of assets	5,000	7,096	2,096	5,666
Other	21,914	22,895	981	23,808
Total	26,914	31,613	4,699	29,474
Total revenues	10,591,644	10,579,018	(12,626)	9,955,835
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Salaries and employee benefits	68,076	66,885	1,191	55,931
Operating expenditures	358,036	247,645	110,391	78,743
Total	426,112	314,530	111,582	134,674
<b>Administration:</b>				
Salaries and employee benefits	270,464	272,204	(1,740)	248,788
Operating expenditures	42,611	36,371	6,240	36,976
Capital outlay	-	-	-	4,204
Reimbursement from Enterprise Fund	(41,839)	(43,608)	1,769	(68,644)
Total	271,236	264,967	6,269	221,324
<b>Tax Collection:</b>				
Salaries and employee benefits	167,430	165,243	2,187	196,973
Operating expenditures	77,566	77,639	(73)	77,577
Capital outlay	3,650	3,450	200	-
Total	248,646	246,332	2,314	274,550

GATES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
<b>Legal:</b>				
Contracted services	20,000	16,175	3,825	15,652
<b>Court Facilities:</b>				
Operating expenses	35,500	33,880	1,620	32,506
<b>Elections:</b>				
Salaries and employee benefits	44,130	44,231	(101)	46,997
Operating expenditures	37,500	20,426	17,074	37,113
Total	81,630	64,657	16,973	84,110
<b>Register of Deeds:</b>				
Salaries and employee benefits	92,361	92,170	191	87,388
Operating expenditures	37,416	30,327	7,089	28,108
Capital outlay	1,000	655	345	-
Total	130,777	123,152	7,625	115,496
<b>Public Buildings:</b>				
Salaries and employee benefits	109,353	108,163	1,190	105,734
Operating expenditures	216,551	200,978	15,573	258,239
Capital outlay	41,630	41,733	(103)	100,251
Total	367,534	350,874	16,660	464,224
Total general government	1,581,435	1,414,567	166,868	1,342,536
<b>Public Safety:</b>				
<b>Sheriff and Communications:</b>				
Salaries and employee benefits	763,493	760,177	3,316	780,451
Operating expenditures	162,197	148,055	14,142	112,801
Capital outlay	77,250	77,683	(433)	79,899
Total	1,002,940	985,915	17,025	973,151
<b>Jail:</b>				
Operating expenditures	225,000	222,482	2,518	224,282
Capital outlay	50,000	-	50,000	50,000
Total	275,000	222,482	52,518	274,282

GATES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Emergency Management:</b>				
Salaries and employee benefits	76,055	68,497	7,558	2,148
Operating expenditures	5,599	163	5,436	39,240
Capital outlay	700	700	-	655
Total	82,354	69,360	12,994	42,043
<b>Fire:</b>				
Forest fire protection	55,000	55,000	-	53,000
<b>Recue Squad:</b>				
Allocation	12,000	12,000	-	12,000
<b>Building Inspector:</b>				
Salaries and employee benefits	102,638	97,430	5,208	138,406
Operating expenditures	17,350	13,209	4,141	22,285
Total	119,988	110,639	9,349	160,691
<b>Medical Examiner:</b>				
Professional services	6,500	5,500	1,000	8,100
<b>Animal Control:</b>				
Operating expenditures	47,309	41,367	5,942	38,356
Total public safety	1,601,091	1,502,263	98,828	1,561,623
<b>Economic and Physical Development:</b>				
<b>Agricultural Extension:</b>				
Salaries and employee benefits	119,048	105,754	13,294	108,014
Operating expenditures	18,911	15,916	2,995	16,042
Capital outlay	-	-	-	5,789
Total	137,959	121,670	16,289	129,845
<b>Soil and Water Conservation:</b>				
Salaries and employee benefits	77,202	75,658	1,544	71,949
Operating expenditures	8,426	5,157	3,269	5,596
Total	85,628	80,815	4,813	77,545

GATES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Zoning:</b>				
Salaries and employee benefits	68,696	64,607	4,089	57,819
Operating expenditures	41,415	20,172	21,243	19,057
Total	110,111	84,779	25,332	76,876
<b>Cooperative Extension Service:</b>				
Support of our students	91,393	72,406	18,987	33,425
Genesis	27,093	27,087	6	21,787
New choices	9,343	7,767	1,576	537
School age child care	50,332	41,669	8,663	16,352
Life Smarts	-	-	-	26,875
Divorce filing fee	55,989	39,430	16,559	17,242
REA Stem Grant		170	(170)	-
4-H Program	4,139	2,428	1,711	60,856
Baby Love Grant	34,866	34,866	-	37,334
SHIP Grant	5,322	5,322	-	2,572
Workforce youth development	6,197	6,178	19	-
Science camp	11,895	11,895	-	5,680
On-Target Grant	-	-	-	80,153
Albemarle Foundation Grant	850	364	486	300
Real World Grant	2,398	615	1,783	727
Total	299,817	250,197	49,620	303,840
<b>GITS:</b>				
Salaries and employee benefits	248,225	231,389	16,836	218,987
Operating expenditures	214,103	143,904	70,199	140,318
Capital outlay	115,650	64,013	51,637	1,708
Total	577,978	439,306	138,672	361,013
Total economic and physical development	1,211,493	976,767	234,726	949,119
<b>Human Services:</b>				
<b>Health:</b>				
<b>Administration:</b>				
Albemarle Regional Health Services	118,500	118,273	227	104,601
Albemarle Mental Health Center	39,934	39,816	118	38,945
Albemarle Hospital	500	500	-	500
Total	158,934	158,589	345	144,046

GATES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011		Variance Over/Under	2010
	Budget	Actual		Actual
<b>Social Services:</b>				
<b>Administration:</b>				
Salaries and employee benefits	981,428	971,483	9,945	923,571
Operating expenditures	163,308	162,286	1,022	86,667
Total	1,144,736	1,133,769	10,967	1,010,238
<b>Special Assistance for Adults:</b>				
County participation	85,000	78,184	6,816	68,777
<b>Medicaid:</b>				
County participation	99,500	92,860	6,640	70,665
<b>Special Social Services:</b>				
Food Stamp Program	3,300	3,264	36	2,916
Daycare	409,211	350,265	58,946	307,322
Crisis intervention	64,464	60,450	4,014	42,290
N.C. Blind Commission	1,783	1,694	89	1,523
Domestic violence	7,257	4,678	2,579	5,010
Work First	11,700	11,774	(74)	20,039
CPS and independent living	3,000	1,256	1,744	1,359
Others	17,331	7,578	9,753	13,676
Total	518,046	440,959	77,087	394,135
Total social services	1,847,282	1,745,772	101,510	1,543,815
<b>Special Appropriations:</b>				
Veterans service	4,000	4,000	-	4,000
Juvenile crime prevention	34,206	34,206	-	32,312
Others	40,671	40,669	2	41,231
Total special appropriation	78,877	78,875	2	77,543
Total human services	2,085,093	1,983,236	101,857	1,765,404
<b>Cultural and Recreational:</b>				
<b>Community Center:</b>				
Salaries and employee benefits	31,352	31,325	27	18,839
Operating expenditures	213,000	196,355	16,645	190,080
Capital outlay	-	-	-	3,638
Total	244,352	227,680	16,672	212,557

GATES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Libraries:</b>				
Operating expenditures	90,000	90,000	-	90,000
Total cultural and recreation	334,352	317,680	16,672	302,557
<b>Education:</b>				
Public schools - current	2,567,079	2,567,079	-	2,517,079
Public schools - capital outlay	100,000	100,000	-	100,000
Community colleges	14,000	14,000	-	14,000
Total education	2,681,079	2,681,079	-	2,631,079
<b>Debt Service:</b>				
Principal retirement	967,274	974,531	(7,257)	955,384
Interest and fees	343,778	343,271	507	379,664
Total debt service	1,311,052	1,317,802	(6,750)	1,335,048
Total expenditures	10,805,595	10,193,394	612,201	9,887,366
Revenues over (under) expenditures	(213,951)	385,624	599,575	68,469
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	128,975	128,913	(62)	100,000
Transfers to other funds	(134,365)	(134,364)	1	(182,859)
Appropriated fund balance	219,341	-	(219,341)	-
Total other financing sources (uses)	213,951	(5,451)	(219,402)	(82,859)
Net change in fund balance	\$ -	380,173	\$ 380,173	(14,390)
<b>Fund Balance:</b>				
Beginning of year, as previously stated - July 1		2,907,848		\$ 2,922,238
End of year - June 30		\$ 3,288,021		\$ 2,907,848

## GATES COUNTY, NORTH CAROLINA

## REVALUATION FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2011

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 122	\$ 122	\$ 44
<b>Expenditures:</b>				
General government	33,750	-	33,750	33,600
Revenues over (under) expenditures	(33,750)	122	33,872	(33,556)
<b>Other Financing Sources (Uses):</b>				
Transfers (to) from other funds	33,750	33,750	-	52,750
Net change in fund balance	\$ -	33,872	\$ 33,872	19,194
<b>Fund Balance:</b>				
Beginning of year - July 1		38,482		19,288
End of year - June 30		\$ 72,354		\$ 38,482

## 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, 2011

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Other Financing Sources (Uses):</b>				
Transfers (to) from other funds	\$ 11,235	\$ 11,235	\$ -	\$ 11,235
Contingency	(11,235)	-	11,235	-
Total other financing sources (uses)	-	11,235	11,235	11,235
Net change in fund balance	\$ -	11,235	\$ 11,235	11,235
<b>Fund Balance:</b>				
Beginning of year - July 1		33,705		22,470
End of year - June 30		\$ 44,940		\$ 33,705

## GATES COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2011

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 456,582	\$ -	\$ 456,582
Accounts receivable, net	13,939	-	13,939
Due from other governments	704	1,450	2,154
Total assets	<u>\$ 471,225</u>	<u>\$ 1,450</u>	<u>\$ 472,675</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 18,257	\$ 186	\$ 18,443
Due to other funds	-	1,264	1,264
Total liabilities	<u>18,257</u>	<u>1,450</u>	<u>19,707</u>
<b>Fund Balances:</b>			
Stabilization for State statute	14,643	1,450	16,093
Restricted, all other	438,325	-	438,325
Unassigned	-	(1,450)	(1,450)
Total fund balances	<u>452,968</u>	<u>-</u>	<u>452,968</u>
Total liabilities and fund balances	<u>\$ 471,225</u>	<u>\$ 1,450</u>	<u>\$ 472,675</u>

## GATES COUNTY, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Total</b>
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 30,984	\$ 156,548	\$ 187,532
Other taxes and licenses	432,321	-	432,321
Investment earnings	938	-	938
Total revenues	<u>464,243</u>	<u>156,548</u>	<u>620,791</u>
<b>Expenditures:</b>			
Current:			
Public safety	348,937	-	348,937
Economic and physical development	30,885	37,674	68,559
Education	-	14,884	14,884
Total expenditures	<u>379,822</u>	<u>52,558</u>	<u>432,380</u>
Revenues over (under) expenditures	<u>84,421</u>	<u>103,990</u>	<u>188,411</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	89,379	-	89,379
Transfers to other funds	-	(128,913)	(128,913)
Total other financing sources (uses)	<u>89,379</u>	<u>(128,913)</u>	<u>(39,534)</u>
Net change in fund balances	173,800	(24,923)	148,877
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>279,168</u>	<u>24,923</u>	<u>304,091</u>
End of year - June 30	<u>\$ 452,968</u>	<u>\$ -</u>	<u>\$ 452,968</u>

## GATES COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2011

	<b>Emergency Telephone System Fund</b>	<b>Fire Protection Fund</b>	<b>CDBG Scattered Site Grant Project</b>	<b>Total</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 438,235	\$ 18,241	\$ 106	\$ 456,582
Accounts receivable, net	13,939	-	-	13,939
Due from other governments	704	-	-	704
Total assets	<u>\$ 452,878</u>	<u>\$ 18,241</u>	<u>\$ 106</u>	<u>\$ 471,225</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 1,777	\$ 16,480	\$ -	\$ 18,257
Total liabilities	<u>1,777</u>	<u>16,480</u>	<u>-</u>	<u>18,257</u>
<b>Fund Balances:</b>				
Stabilization for State statute	14,643	-	-	14,643
Restricted, all other	436,458	1,761	106	438,325
Total fund balances	<u>451,101</u>	<u>1,761</u>	<u>106</u>	<u>452,968</u>
Total liabilities and fund balances	<u>\$ 452,878</u>	<u>\$ 18,241</u>	<u>\$ 106</u>	<u>\$ 471,225</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, 2011**

	<b>Emergency Telephone System Fund</b>	<b>Fire Protection Fund</b>	<b>CDBG Scattered Site Grant Project</b>	<b>Total</b>
<b>Revenues:</b>				
Restricted intergovernmental	\$ -	\$ -	\$ 30,984	\$ 30,984
Other taxes and licenses	181,202	251,119	-	432,321
Investment earnings	938	-	-	938
Total revenues	<u>182,140</u>	<u>251,119</u>	<u>30,984</u>	<u>464,243</u>
<b>Expenditures:</b>				
Current:				
Public safety	97,818	251,119	-	348,937
Economic development	-	-	30,885	30,885
Total expenditures	<u>97,818</u>	<u>251,119</u>	<u>30,885</u>	<u>379,822</u>
Revenues over (under) expenditures	<u>84,322</u>	<u>-</u>	<u>99</u>	<u>84,421</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	89,379	-	-	89,379
Total other financing sources (uses)	<u>89,379</u>	<u>-</u>	<u>-</u>	<u>89,379</u>
Net change in fund balances	173,701	-	99	173,800
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>277,400</u>	<u>1,761</u>	<u>7</u>	<u>279,168</u>
End of year - June 30	<u>\$ 451,101</u>	<u>\$ 1,761</u>	<u>\$ 106</u>	<u>\$ 452,968</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, 2011  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Other taxes and licenses	\$ 167,256	\$ 181,202	\$ 13,946	\$ 151,991
Investment earnings	-	938	938	1,478
Total revenues	<u>167,256</u>	<u>182,140</u>	<u>14,884</u>	<u>153,469</u>
<b>Expenditures:</b>				
Public safety	<u>534,034</u>	<u>97,818</u>	<u>436,216</u>	<u>245,994</u>
Revenues over (under) expenditures	<u>(366,778)</u>	<u>84,322</u>	<u>451,100</u>	<u>(92,525)</u>
<b>Other Financing Sources (Uses):</b>				
Transfer (to) from other funds	89,380	89,379	1	-
Appropriated fund balance	<u>277,398</u>	-	<u>(277,398)</u>	-
Total other financing sources (uses)	<u>366,778</u>	<u>89,379</u>	<u>(277,397)</u>	-
Net change in fund balance	<u>\$ -</u>	<u>173,701</u>	<u>\$ 173,703</u>	<u>(92,525)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>277,400</u>		<u>369,925</u>
End of year - June 30		<u>\$ 451,101</u>		<u>\$ 277,400</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, 2011

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	<u>2011</u>			<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Fire protection fees	\$ 260,000	\$ 251,119	\$ (8,881)	\$ 240,879
Investment earnings	-	-	-	254
Total revenues	<u>260,000</u>	<u>251,119</u>	<u>(8,881)</u>	<u>241,133</u>
<b>Expenditures:</b>				
Volunteer fire department	<u>260,000</u>	<u>251,119</u>	<u>8,881</u>	<u>240,879</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>254</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>1,761</u>		<u>1,507</u>
End of year - June 30		<u>\$ 1,761</u>		<u>\$ 1,761</u>

## 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, 2011**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 400,000	\$ 224,646	\$ 30,984	\$ 255,630
<b>Expenditures:</b>				
Economic and physical development				
Clearance	37,054	16,041	2,010	18,051
Relocation	315,946	189,414	7,575	196,989
Administration	47,000	19,184	21,300	40,484
Total expenditures	<u>400,000</u>	<u>224,639</u>	<u>30,885</u>	<u>255,524</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 99</u>	<u>\$ 106</u>

## GATES COUNTY, NORTH CAROLINA

## NONMAJOR CAPITAL PROJECTS FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2011

	<b>Community Center Construction Fund</b>	<b>Total Nonmajor Capital Project Funds</b>
<b>Assets:</b>		
Due from other governments	\$ 1,450	\$ 1,450
Total assets	<u>\$ 1,450</u>	<u>\$ 1,450</u>
<b>Liabilities and Fund Balances (Deficit):</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 186	\$ 186
Due to other funds	<u>1,264</u>	<u>1,264</u>
Total liabilities	<u>1,450</u>	<u>1,450</u>
<b>Fund Balances:</b>		
Stabilization for State statute	1,450	1,450
Unassigned	<u>(1,450)</u>	<u>(1,450)</u>
Total fund balances	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,450</u>	<u>\$ 1,450</u>

## GATES COUNTY, NORTH CAROLINA

**NONMAJOR CAPITAL PROJECTS FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2011**

	<b>School Capital Reserve Fund</b>	<b>School Construction Fund</b>	<b>Community Center Construction Fund</b>	<b>Total Nonmajor Capital Project Funds</b>
<b>Revenues:</b>				
Restricted intergovernmental	\$ -	\$ -	\$ 156,548	\$ 156,548
Total revenues	<u>-</u>	<u>-</u>	<u>156,548</u>	<u>156,548</u>
<b>Expenditures:</b>				
Construction costs	-	14,884	19,845	34,729
Capital outlay	-	-	17,829	17,829
Total expenditures	<u>-</u>	<u>14,884</u>	<u>37,674</u>	<u>52,558</u>
Revenues over (under) expenditures	<u>-</u>	<u>(14,884)</u>	<u>118,874</u>	<u>103,990</u>
<b>Other Financing Sources (Uses):</b>				
Transfer to other funds	(10,039)	-	(118,874)	(128,913)
Total other financing sources (uses)	<u>(10,039)</u>	<u>-</u>	<u>(118,874)</u>	<u>(128,913)</u>
Net change in fund balance	(10,039)	(14,884)	-	(24,923)
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>10,039</u>	<u>14,884</u>	<u>-</u>	<u>24,923</u>
End of year - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## GATES COUNTY, NORTH CAROLINA

SCHOOL CAPITAL RESERVE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2011  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Investment earnings	\$ -	\$ -	\$ -	\$ 397
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	(10,100)	(10,039)	61	(100,000)
Appropriated fund balance	10,100	-	(10,100)	-
Total other financing sources (uses)	-	(10,039)	(10,039)	(100,000)
Net change in fund balance	\$ -	(10,039)	\$ (10,039)	(99,603)
<b>Fund Balance:</b>				
Beginning of year - July 1		10,039		109,642
End of year - June 30		\$ -		\$ 10,039

## GATES COUNTY, NORTH CAROLINA

**SCHOOL CONSTRUCTION FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	
			<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Investment earnings	\$ 330,588	\$ 330,588	\$ -	\$ 330,588
Total revenues	<u>330,588</u>	<u>330,588</u>	<u>-</u>	<u>330,588</u>
<b>Expenditures:</b>				
Legal expense	12,275	12,275	-	12,275
Financing fees	3,740	3,720	-	3,720
Construction costs	<u>6,814,573</u>	<u>6,799,709</u>	<u>14,884</u>	<u>6,814,593</u>
Total expenditures	<u>6,830,588</u>	<u>6,815,704</u>	<u>14,884</u>	<u>6,830,588</u>
Revenues over (under) expenditures	(6,500,000)	(6,485,116)	(14,884)	(6,500,000)
<b>Other Financing Sources (Uses):</b>				
Installment purchase issued	<u>6,500,000</u>	<u>6,500,000</u>	<u>-</u>	<u>6,500,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 14,884</u>	(14,884)	<u>\$ -</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>14,884</u>	
End of year - June 30			<u>\$ -</u>	

## GATES COUNTY, NORTH CAROLINA

**COMMUNITY CENTER PROJECT  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Restricted intergovernmental revenues:				
Grant - Golden Leaf Tobacco	\$ 780,780	\$ 624,624	\$ 156,156	780,780
Roanoke Chowan Foundation Grant	76,326	75,934	392	76,326
Investment earnings	4,253	4,254	-	4,254
Total revenues	<u>861,359</u>	<u>704,812</u>	<u>156,548</u>	<u>861,360</u>
<b>Expenditures:</b>				
Cultural and recreation:				
Design	45,541	45,540	-	45,540
Construction costs	735,239	719,649	19,845	739,486
Capital outlay	76,326	58,497	17,829	76,326
Contingency	149,253	-	-	-
Total expenditures	<u>1,006,359</u>	<u>823,686</u>	<u>37,674</u>	<u>861,360</u>
Revenues over (under) expenditures	(145,000)	(118,874)	118,874	-
<b>Other Financing Sources (Uses):</b>				
Transfers from (to) other funds	<u>145,000</u>	<u>118,874</u>	<u>(118,874)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance:</b>				
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, 2011

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Charges for services:				
Solid waste charges	\$ 740,000	\$ 711,027	\$ (28,973)	\$ 800,618
Miscellaneous	851	851	-	-
Total operating revenues	<u>740,851</u>	<u>711,878</u>	<u>(28,973)</u>	<u>800,618</u>
Non-operating revenues:				
Investment earnings	-	517	517	394
White goods	12,600	3,794	(8,806)	12,579
Scrap tire	13,700	19,136	5,436	14,143
Solid waste disposal tax	<u>11,405</u>	<u>9,453</u>	<u>(1,952)</u>	<u>9,786</u>
Total non-operating revenues	<u>37,705</u>	<u>32,900</u>	<u>(4,805)</u>	<u>36,902</u>
Total revenues	<u>778,556</u>	<u>744,778</u>	<u>(33,778)</u>	<u>837,520</u>
<b>Expenditures:</b>				
Landfill operations:				
Operating expenditures	<u>778,556</u>	<u>631,892</u>	<u>146,664</u>	<u>706,469</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 112,886</u>	<u>\$ 112,886</u>	<u>\$ 131,051</u>

GATES COUNTY, NORTH CAROLINA

**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	2011			2010
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Water sales	\$ 810,100	\$ 875,937	\$ 65,837	\$ 896,491
Water taps and connection fees	25,000	19,750	(5,250)	32,750
Miscellaneous	-	2,756	2,756	2,725
Total operating revenues	<u>835,100</u>	<u>898,443</u>	<u>63,343</u>	<u>931,966</u>
Non-operating revenues:				
Grants	-	-	-	11,644
Investment earnings	6,000	5,685	(315)	8,830
Tax refunds	1,400	2,386	986	1,611
Total non-operating revenues	<u>7,400</u>	<u>8,071</u>	<u>671</u>	<u>22,085</u>
Total revenues	<u>842,500</u>	<u>906,514</u>	<u>64,014</u>	<u>954,051</u>
<b>Expenditures:</b>				
Water and sewer operations:				
Salaries and benefits	277,809	267,988	9,821	224,968
Operating expenditures	477,838	411,440	66,398	249,196
Capital outlay	53,255	52,380	875	20,000
Reimbursement for General Fund administration	41,839	43,608	(1,769)	68,644
Total operations	<u>850,741</u>	<u>775,416</u>	<u>75,325</u>	<u>562,808</u>
Debt service:				
Principal payment	143,771	143,771	-	136,936
Interest and fees	46,450	46,450	-	53,284
Total debt service	<u>190,221</u>	<u>190,221</u>	<u>-</u>	<u>190,220</u>
Total expenditures	<u>1,040,962</u>	<u>965,637</u>	<u>75,325</u>	<u>753,028</u>

GATES COUNTY, NORTH CAROLINA

**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010**

	<u>2011</u>			<u>2010</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues over (under) expenditures	<u>(198,462)</u>	<u>(59,123)</u>	<u>139,339</u>	<u>201,023</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	<u>198,462</u>	<u>-</u>	<u>(198,462)</u>	<u>-</u>
Total other financing sources (uses)	<u>198,462</u>	<u>-</u>	<u>(198,462)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (59,123)</u>	<u>\$ (59,123)</u>	<u>\$ 201,023</u>

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

Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (59,123)</u>
Reconciling items:	
Capital outlay	49,186
Debt principal	143,771
Change in accrued vacation pay	(7,827)
Depreciation	(223,518)
Change in accrued benefits payable	(3,706)
Capital contributions	25,000
Increase in other post-employment benefits	<u>(33,403)</u>
Total reconciling items	<u>(50,497)</u>
Change in net assets	<u>\$ (109,620)</u>

## GATES COUNTY, NORTH CAROLINA

## AGENCY FUNDS

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b><u>Social Services</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 861	\$ 26,282	\$ (24,507)	\$ 2,636
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ 861	\$ 26,282	\$ (24,507)	\$ 2,636
<b><u>DMV Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 568	\$ 6,635	\$ (7,203)	\$ -
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ 568	\$ 6,635	\$ (7,203)	\$ -
<b><u>Extension Director Funds</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 21,069	\$ 11,970	\$ (20,763)	\$ 12,276
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ 21,069	\$ 11,970	\$ (20,763)	\$ 12,276
<b><u>4-H Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 66,129	\$ 11,615	\$ (29,357)	\$ 48,387
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ 66,129	\$ 11,615	\$ (29,357)	\$ 48,387
<b><u>Drainage District I</u></b>				
<b>Assets:</b>				
Receivables	\$ 45	\$ 736	\$ (728)	\$ 53
<b>Liabilities:</b>				
Miscellaneous	\$ 45	\$ 736	\$ (728)	\$ 53
<b><u>Drainage District II</u></b>				
<b>Assets:</b>				
Receivables	\$ 390	\$ 6,137	\$ (6,207)	\$ 320
<b>Liabilities:</b>				
Miscellaneous	\$ 390	\$ 6,137	\$ (6,207)	\$ 320

## GATES COUNTY, NORTH CAROLINA

## AGENCY FUNDS

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b><u>Drainage District III</u></b>				
<b>Assets:</b>				
Receivables	\$ 81	\$ 1,309	\$ (1,320)	\$ 70
<b>Liabilities:</b>				
Miscellaneous	\$ 81	\$ 1,309	\$ (1,320)	\$ 70
<b><u>Town of Gatesville</u></b>				
<b>Assets:</b>				
Receivables	\$ 1,467	\$ 48,992	\$ (48,531)	\$ 1,928
<b>Liabilities:</b>				
Miscellaneous	\$ 1,467	\$ 48,992	\$ (48,531)	\$ 1,928
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 88,627	\$ 56,502	\$ (81,830)	\$ 63,299
Receivables	1,983	57,174	(56,786)	2,371
Total assets	\$ 90,610	\$ 113,676	\$ (138,616)	\$ 65,670
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ 90,610	\$ 113,676	\$ (138,616)	\$ 65,670

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND  
 JUNE 30, 2011

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2010</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2011</u>
2010-2011	\$ -	\$ 5,891,476	\$ 5,565,282	\$ 326,194
2009-2010	374,346	-	274,161	100,185
2008-2009	143,037	-	70,417	72,620
2007-2008	67,718	-	16,427	51,291
2006-2007	46,635	-	10,984	35,651
2005-2006	34,332	-	4,213	30,119
2004-2005	31,687	-	1,742	29,945
2003-2004	22,362	-	1,438	20,924
2002-2003	24,957	-	1,273	23,684
2001-2002	22,571	-	1,024	21,548
2000-2001	25,605	-	25,605	-
Total	<u>\$ 793,250</u>	<u>\$ 5,891,476</u>	<u>\$ 5,972,566</u>	712,161
Plus uncollected 2010-2011 ad valorem taxes receivable - motor vehicles				465
Less: Allowance for uncollectible accounts				<u>(307,136)</u>
Ad valorem taxes receivable - net:				
General Fund				<u>\$ 405,490</u>
<b>Reconciliation with Revenues:</b>				
Taxes - ad valorem - General Fund				\$ 6,028,299
Reconciling items:				
Penalties and interest				(2,334)
Refunds and other adjustments				(40,748)
Miscellaneous adjustments				(38,256)
Amounts written off per statute of limitations				<u>25,605</u>
Total collections and credits				<u>\$ 5,972,566</u>

## GATES COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2011

	<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>
<b>Original Levy:</b>					
Property taxed at current year's rate	\$904,887,500	\$ 0.640	\$ 5,791,280	\$ 5,407,958	\$ 383,322
Motor vehicles taxed at prior year's rate	20,634,219	0.640	132,059	-	132,059
Total	<u>925,521,719</u>		<u>5,923,339</u>	<u>5,407,958</u>	<u>515,381</u>
<b>Discoveries:</b>					
Current year taxes	<u>568,640</u>		<u>8,885</u>	<u>8,885</u>	<u>-</u>
<b>Abatements</b>	<u>(2,607,872)</u>		<u>(40,748)</u>	<u>(35,197)</u>	<u>(5,551)</u>
Total property valuation	<u>\$923,482,487</u>				
<b>Net Levy</b>			5,891,476	5,381,646	509,830
Uncollected taxes at June 30, 2011			<u>(326,194)</u>	<u>(233,494)</u>	<u>(92,700)</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 5,565,282</u>	<u>\$ 5,148,152</u>	<u>\$ 417,130</u>
<b>Current Levy Collection Percentage</b>			<u>94.46%</u>	<u>95.66%</u>	<u>81.82%</u>

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