

**GATES COUNTY
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

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

**GATES COUNTY
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

FINANCE DIRECTOR: SANDY PITTMAN

GATES COUNTY, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Gates County
Gatesville, North Carolina

Report On the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gates County, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. The financial statements of Gates County ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gates County, North Carolina, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Schedule of Expenditures of Federal and State Awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated November 20, 2015, on our consideration of Gates County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gates County's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 20, 2015

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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, 2015. 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

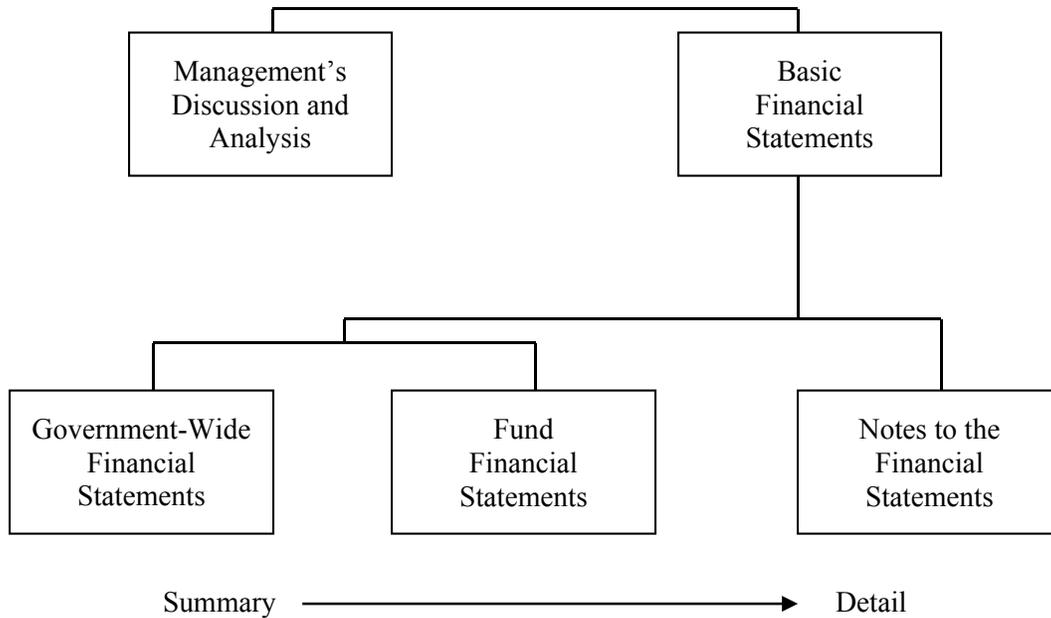
- The assets and deferred outflows of resources of Gates County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11,220,421(*net position*).
- The County's total net position increased by \$1,151,203.
- As of the close of the current fiscal year, Gates County's total governmental funds reported combined ending fund balances of \$4,204,444, an increase of \$317,500 from 2014.
- At the end of the current fiscal year, total fund balance for the General Fund was \$3,891,693, an increase of \$423,314 from 2014; \$223,776 of this fund balance amount represents fund balance for the Revaluation and USDA loan reserve funds that are consolidated into the General Fund as part of GASB 54 reporting requirements.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Following the notes is the required supplemental information. This section contains funding information about the County's pension plans.

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government.

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

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

Government-Wide Financial Analysis

Gates County's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 5,089,471	\$ 4,528,010	\$ 2,519,635	\$ 2,472,351	\$ 7,609,106	\$ 7,000,361
Capital assets	6,635,559	6,656,062	5,457,698	5,482,614	12,093,257	12,138,676
Total assets	11,725,030	11,184,072	7,977,333	7,954,965	19,702,363	19,139,037
Deferred Outflows:						
Total deferred outflows of resources	187,669	-	11,918	-	199,587	-
Liabilities:						
Current liabilities	1,274,518	1,281,914	295,105	280,088	1,569,623	1,562,002
Other liabilities	6,279,933	6,829,472	166,091	328,181	6,446,024	7,157,653
Total liabilities	7,554,451	8,111,386	461,196	608,269	8,015,647	8,719,655
Deferred Inflows:						
Total deferred inflows of resources	627,047	22,001	38,835	-	665,882	22,001
Net Position:						
Net investment in						
capital assets	4,765,809	4,383,912	5,283,709	5,137,675	10,049,518	9,521,587
Restricted:						
Stabilization for State statute	1,210,578	1,168,174	-	-	1,210,578	1,168,174
All other	345,115	465,324	-	-	345,115	465,324
Unrestricted	(2,590,301)	(2,966,725)	2,205,511	2,209,021	(384,790)	(757,704)
Total net position	\$ 3,731,201	\$ 3,050,685	\$ 7,489,220	\$ 7,346,696	\$ 11,220,421	\$ 10,397,381

As noted earlier, net position, over time, may serve as a useful indicator of a government's financial position. For Gates County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11,220,421 at the close of the most recent fiscal year. The County's net position increased by \$1,151,203 for the fiscal year ended June 30, 2015.

One of the largest portions of Gates County's net position reflects the County's net investment in capital assets (e.g., land, buildings, machinery and equipment). The County reported net investment in capital assets of \$10,049,518, which represents 90% of the County's total net position. Gates County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Gates County's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to repay these liabilities.

At the end of the current fiscal year, Gates County is reporting deficit unrestricted net position in the amount of \$(384,790) for the government as a whole. It should be noted that the County is carrying roughly \$3.0 million in debt related to schools. Schools are not recorded as assets on the County's books; they are recorded as assets by the Board of Education.

Gates County's Changes in Net Position
Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,843,479	\$ 1,888,692	\$ 1,973,772	\$ 1,828,329	\$ 3,817,251	\$ 3,717,021
Operating grants and contributions	1,197,790	578,632	-	-	1,197,790	578,632
Capital grants and contributions	112,301	1,439,156	-	-	112,301	1,439,156
General revenues:						
Property taxes	6,283,112	6,299,043	-	-	6,283,112	6,299,043
Local option sales tax	2,013,596	1,957,872	-	-	2,013,596	1,957,872
Other taxes	459,524	449,579	-	-	459,524	449,579
Investment earnings	<u>11,624</u>	<u>11,735</u>	<u>6,463</u>	<u>5,997</u>	<u>18,087</u>	<u>17,732</u>
Total revenues	<u>11,921,426</u>	<u>12,624,709</u>	<u>1,980,235</u>	<u>1,834,326</u>	<u>13,901,661</u>	<u>14,459,035</u>
Expenses:						
General government	1,923,442	1,541,888	-	-	1,923,442	1,541,888
Public safety	2,676,556	2,141,857	-	-	2,676,556	2,141,857
Economic and physical development	1,014,649	1,098,797	-	-	1,014,649	1,098,797
Human services	2,102,232	2,195,896	-	-	2,102,232	2,195,896
Cultural and recreation	357,401	349,236	-	-	357,401	349,236
Education	2,716,000	2,718,000	-	-	2,716,000	2,718,000
Interest on long-term debt	143,426	244,475	-	-	143,426	244,475
Water	-	-	947,551	957,654	947,551	957,654
Landfill	-	-	<u>869,202</u>	<u>847,372</u>	<u>869,202</u>	<u>847,372</u>
Total expenses	<u>10,933,705</u>	<u>10,290,149</u>	<u>1,816,753</u>	<u>1,805,026</u>	<u>12,750,458</u>	<u>12,095,175</u>
Change in net position before transfers	987,721	2,334,560	163,482	29,300	1,151,203	2,363,860
Transfers	-	(84,319)	-	84,319	-	-
Change in net position after transfers	<u>987,721</u>	<u>2,250,241</u>	<u>163,482</u>	<u>113,619</u>	<u>1,151,203</u>	<u>2,363,860</u>
Net Position:						
Beginning of year - July 1	3,050,685	800,444	7,346,696	7,122,773	10,397,381	7,923,217
Restatement	<u>(307,205)</u>	-	<u>(20,958)</u>	<u>110,304</u>	<u>(328,163)</u>	<u>110,304</u>
Beginning of year - July 1, as restated	<u>2,743,480</u>	<u>800,444</u>	<u>7,325,738</u>	<u>7,233,077</u>	<u>10,069,218</u>	<u>8,033,521</u>
End of year - June 30	<u>\$ 3,731,201</u>	<u>\$ 3,050,685</u>	<u>\$ 7,489,220</u>	<u>\$ 7,346,696</u>	<u>\$ 11,220,421</u>	<u>\$ 10,397,381</u>

Governmental Activities. Governmental activities increased the County's net position by \$987,721. Key elements of this increase are as follows:

- Increases in property and local option sales taxes over fiscal year 2014 amounts
- Numerous appropriations carried forward into FY16.

Business-Type Activities. Business-type activities increased Gates County's net position by \$163,482.

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, fund balance available for appropriation 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 \$4,204,444, an increase of \$317,500 in comparison with 2014. This increase is attributable primarily to increased fund balance in the General Fund.

The General Fund is the principal operating fund of Gates County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,590,040 while total fund balance for the General Fund was \$3,891,693. 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 27.6% of total General Fund expenditures, while total fund balance represents 41.4% of that same amount. It should be noted that these percentages are higher than prior year percentages given the fact that expenditures in the General Fund have decreased based upon the fact that debt is now being paid out of the Debt Service Fund. Available fund balance, which is total fund balance less non-spendable fund balance less stabilization by State statute amounts, totaled \$2,900,292 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 \$265,000 (2%).

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

Unrestricted net position at June 30, 2015 was \$303,045 and \$1,902,446 for the Landfill Fund and the Water Fund, respectively.

Capital Asset and Debt Administration

Capital Assets. The County reported capital assets for its governmental and business-type activities of \$12,093,257 (net of accumulated depreciation) as of June 30, 2015. These assets include land buildings, other improvements, equipment, vehicles, and plant and systems.

Gates County's Capital Assets

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 1,138,007	\$ 1,138,007	\$ 27,476	\$ 27,476	\$ 1,165,483	\$ 1,165,483
Construction in progress	391,102	192,887	1,316,103	1,139,950	1,707,205	1,332,837
Buildings	5,795,252	5,795,252	-	-	5,795,252	5,795,252
Other improvements	636,971	608,306	-	-	636,971	608,306
Equipment	958,476	945,576	437,041	437,041	1,395,517	1,382,617
Vehicles	1,134,080	1,114,388	234,386	206,244	1,368,466	1,320,632
Plant and systems	-	-	9,140,453	9,140,453	9,140,453	9,140,453
Subtotal	10,053,888	9,794,416	11,155,459	10,951,164	21,209,347	20,745,580
Less accumulated depreciation	<u>(3,418,329)</u>	<u>(3,138,354)</u>	<u>(5,697,761)</u>	<u>(5,468,550)</u>	<u>(9,116,090)</u>	<u>(8,606,904)</u>
Total	<u>\$ 6,635,559</u>	<u>\$ 6,656,062</u>	<u>\$ 5,457,698</u>	<u>\$ 5,482,614</u>	<u>\$ 12,093,257</u>	<u>\$ 12,138,676</u>

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

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

Gates County's Long-Term Obligations

Figure 5

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Notes payable	\$ 4,903,084	\$ 5,738,817	\$ 173,989	\$ 344,939	\$ 5,077,073	\$ 6,083,756
Compensated absences	257,647	239,886	20,826	25,978	278,473	265,864
LEO	165,112	151,542	-	-	165,112	151,542
OPEB	1,857,194	1,594,931	151,760	134,709	2,008,954	1,729,640
Total	<u>\$ 7,183,037</u>	<u>\$ 7,725,176</u>	<u>\$ 346,575</u>	<u>\$ 505,626</u>	<u>\$ 7,529,612</u>	<u>\$ 8,230,802</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Gates County is \$72,394,402.

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

Economic Factors and Next Year's Budget and Rates

- The tax rate, which was set in FY 2009-2010, has remained unchanged again for this budget year.
- The County has continued the use of its Capital Improvement Plan to address capital and physical plant improvements for the use and enjoyment of the public.
- Gates County's July 2015 unemployment rate stands at 6%.

All of these factors were considered in preparing Gates County's budget for the 2015-2016 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities. During FY2015-2016, Gates County will continue to control the cost of government while growing revenue through property tax base growth. The County will strive for continuous improvement and efficiency in all governmental service areas and update fiscal policies as appropriate.

Enterprise Activities. In FY 2015-2016 the water and sewer rates will remain steady. Solid Waste will remain steady with no rate increase planned. Operation and maintenance of the respective systems (water, sewer, and solid waste) will continue.

Requests for Information

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Gates County ABC Board
Assets:				
Current assets:				
Cash and cash equivalents	\$ 3,288,249	\$ 2,034,609	\$ 5,322,858	\$ 29,074
Taxes receivable, net	282,926	-	282,926	-
Accounts receivable, net	232,515	411,328	643,843	-
Due from other governments	801,509	6,919	808,428	-
Inventory	-	50,845	50,845	112,823
Prepaid items	-	-	-	2,206
Total current assets	<u>4,605,199</u>	<u>2,503,701</u>	<u>7,108,900</u>	<u>144,103</u>
Non-current assets:				
Net pension asset	272,245	15,934	288,179	2,123
Restricted assets:				
Cash and cash equivalents, restricted	212,027	-	212,027	-
Total restricted assets	<u>212,027</u>	<u>-</u>	<u>212,027</u>	<u>-</u>
Capital assets:				
Non-depreciable capital assets	1,529,109	1,343,579	2,872,688	-
Depreciable capital assets, net	<u>5,106,450</u>	<u>4,114,119</u>	<u>9,220,569</u>	<u>632,323</u>
Total capital assets	<u>6,635,559</u>	<u>5,457,698</u>	<u>12,093,257</u>	<u>632,323</u>
Total non-current assets	<u>7,119,831</u>	<u>5,473,632</u>	<u>12,593,463</u>	<u>634,446</u>
Total assets	<u>11,725,030</u>	<u>7,977,333</u>	<u>19,702,363</u>	<u>778,549</u>
Deferred Outflows of Resources:				
Contributions to pension plan in current fiscal year	175,642	11,163	186,805	1,786
Pension deferrals	<u>12,027</u>	<u>755</u>	<u>12,782</u>	<u>-</u>
Total deferred outflows of resources	<u>187,669</u>	<u>11,918</u>	<u>199,587</u>	<u>1,786</u>
Liabilities:				
Accounts payable and accrued expenses	371,414	114,621	486,035	49,210
Current portion of compensated absences	64,412	6,495	70,907	-
Current portion of long-term liabilities	<u>838,692</u>	<u>173,989</u>	<u>1,012,681</u>	<u>-</u>
Total current liabilities	<u>1,274,518</u>	<u>295,105</u>	<u>1,569,623</u>	<u>49,210</u>
Long-term liabilities:				
Due in more than one year	<u>6,279,933</u>	<u>166,091</u>	<u>6,446,024</u>	<u>-</u>
Total liabilities	<u>7,554,451</u>	<u>461,196</u>	<u>8,015,647</u>	<u>49,210</u>
Deferred Inflows of Resources:				
Prepaid taxes	17,841	-	17,841	-
Pension deferrals	<u>609,206</u>	<u>38,835</u>	<u>648,041</u>	<u>5,370</u>
Total deferred inflows of resources	<u>627,047</u>	<u>38,835</u>	<u>665,882</u>	<u>5,370</u>
Net Position:				
Net investment in capital assets	4,765,809	5,283,709	10,049,518	632,323
Restricted:				
Stabilization for State statute	1,210,578	-	1,210,578	-
All other	345,115	-	345,115	17,760
Unrestricted	<u>(2,590,301)</u>	<u>2,205,511</u>	<u>(384,790)</u>	<u>75,672</u>
Total net position	<u>\$ 3,731,201</u>	<u>\$ 7,489,220</u>	<u>\$ 11,220,421</u>	<u>\$ 725,755</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, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 1,923,442	\$ 287,206	\$ -	\$ -
Public safety	2,676,556	99,678	468,486	-
Economic and physical development	1,014,649	20,797	438,398	-
Human services	2,102,232	1,435,798	290,906	-
Cultural and recreational	357,401	-	-	-
Education	2,716,000	-	-	112,301
Interest on long-term debt	143,426	-	-	-
Total governmental activities	<u>10,933,705</u>	<u>1,843,479</u>	<u>1,197,790</u>	<u>112,301</u>
Business-Type Activities:				
Landfill Fund	869,202	847,392	-	-
Water Fund	947,551	1,126,380	-	-
Total business-type activities	<u>1,816,753</u>	<u>1,973,772</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 12,750,458</u>	<u>\$ 3,817,251</u>	<u>\$ 1,197,790</u>	<u>\$ 112,301</u>
Component Unit:				
ABC Board	<u>\$ 596,142</u>	<u>\$ 595,727</u>	<u>\$ -</u>	<u>\$ -</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, 2015

	Net (Expense) Revenue and Changes in Net Position			Component Unit Gates County ABC Board
	Primary Government		Total	
	Governmental Activities	Business-Type Activities		
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ (1,636,236)	\$ -	\$ (1,636,236)	
Public safety	(2,108,392)	-	(2,108,392)	
Economic and physical development	(555,454)	-	(555,454)	
Human services	(375,528)	-	(375,528)	
Cultural and recreational	(357,401)	-	(357,401)	
Education	(2,603,699)	-	(2,603,699)	
Interest on long-term debt	(143,426)	-	(143,426)	
Total governmental activities	<u>(7,780,135)</u>	<u>-</u>	<u>(7,780,135)</u>	
Business-Type Activities:				
Landfill Fund	-	(21,810)	(21,810)	
Water Fund	-	178,829	178,829	
Total business-type activities	<u>-</u>	<u>157,019</u>	<u>157,019</u>	
Total primary government	<u>(7,780,135)</u>	<u>157,019</u>	<u>(7,623,116)</u>	
Component Unit:				
ABC Board				<u>\$ (415)</u>
General Revenues:				
Taxes:				
Property taxes, levied for general purpose	6,283,112	-	6,283,112	-
Local option sales tax	2,013,596	-	2,013,596	-
Other taxes and licenses	459,524	-	459,524	-
Investment earnings, unrestricted	11,624	6,463	18,087	-
Total general revenues	<u>8,767,856</u>	<u>6,463</u>	<u>8,774,319</u>	<u>-</u>
Change in net position	<u>987,721</u>	<u>163,482</u>	<u>1,151,203</u>	<u>(415)</u>
Net Position:				
Beginning of year - July 1	3,050,685	7,346,696	10,397,381	729,333
Restatement	<u>(307,205)</u>	<u>(20,958)</u>	<u>(328,163)</u>	<u>(3,163)</u>
Beginning of year - July 1, as restated	<u>2,743,480</u>	<u>7,325,738</u>	<u>10,069,218</u>	<u>726,170</u>
End of year - June 30	<u>\$ 3,731,201</u>	<u>\$ 7,489,220</u>	<u>\$ 11,220,421</u>	<u>\$ 725,755</u>

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

GATES COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Debt Service Fund	Homeland Security Grant	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 2,932,311	-	\$ -	\$ 352,670	\$ 3,284,981
Taxes receivable, net	282,926	-	-	-	282,926
Accounts receivable, net	28,729	-	98,676	105,111	232,516
Due from other governments	786,099	-	15,124	266	801,489
Due from other funds	176,573	-	-	-	176,573
Cash and cash equivalents, restricted	212,027	-	-	-	212,027
Total assets	<u>\$ 4,418,665</u>	<u>\$ -</u>	<u>\$ 113,800</u>	<u>\$ 458,047</u>	<u>\$ 4,990,512</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 226,205	\$ -	\$ -	\$ 82,523	\$ 308,728
Due to other funds	-	-	99,676	76,897	176,573
Total liabilities	<u>226,205</u>	<u>-</u>	<u>99,676</u>	<u>159,420</u>	<u>485,301</u>
Deferred Inflows of Resources:					
Property taxes receivable	282,926	-	-	-	282,926
Prepaid taxes	17,841	-	-	-	17,841
Total deferred inflows of resources	<u>300,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,767</u>
Fund Balances:					
Restricted:					
Stabilization for State statute	991,401	-	113,800	105,377	1,210,578
Restricted, all other	212,027	-	-	133,088	345,115
Committed	-	-	-	153,472	153,472
Assigned	98,225	-	-	-	98,225
Unassigned	2,590,040	-	(99,676)	(93,310)	2,397,054
Total fund balances	<u>3,891,693</u>	<u>-</u>	<u>14,124</u>	<u>298,627</u>	<u>4,204,444</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,418,665</u>	<u>\$ -</u>	<u>\$ 113,800</u>	<u>\$ 458,047</u>	

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

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	6,635,559
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net position in the Statement of Net Position.	282,926
Net Pension Asset	272,245
Contributions to pension plans in the current fiscal year and pension deferrals are deferred outflows of resources on the Statement of Net Position.	175,642
Pension related deferrals	(597,180)
Long-term liabilities, accrued interest, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(7,245,622)
The assets and liabilities of the Internal Service Fund is included in the governmental activities in the Statement of Net Position	<u>3,187</u>
Net position of governmental activities, per Exhibit A	<u>\$ 3,731,201</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, 2015

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Homeland Security Grant</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Ad valorem taxes	\$ 6,303,949	\$ -	\$ -	\$ -	\$ 6,303,949
Local option sales taxes	2,013,596	-	-	-	2,013,596
Other taxes and licenses	27,155	-	-	367,465	394,620
Unrestricted intergovernmental revenues	64,904	-	-	-	64,904
Restricted intergovernmental revenues	2,136,886	-	242,829	370,745	2,750,460
Permits and fees	139,523	-	-	-	139,523
Sales and services	177,536	-	-	-	177,536
Investment earnings	10,736	-	-	888	11,624
Miscellaneous	86,051	-	-	-	86,051
Total revenues	<u>10,960,336</u>	<u>-</u>	<u>242,829</u>	<u>739,098</u>	<u>11,942,263</u>
Expenditures:					
Current:					
General government	1,872,044	-	-	158,618	2,030,662
Public safety	1,685,760	-	228,705	710,255	2,624,720
Economic and physical development	806,645	-	-	145,163	951,808
Human services	1,984,855	-	-	-	1,984,855
Cultural and recreational	329,000	-	-	-	329,000
Education	2,716,000	-	-	-	2,716,000
Debt service:					
Principal	-	835,733	-	-	835,733
Interest	-	151,985	-	-	151,985
Total expenditures	<u>9,394,304</u>	<u>987,718</u>	<u>228,705</u>	<u>1,014,036</u>	<u>11,624,763</u>
Revenues over (under) expenditures	<u>1,566,032</u>	<u>(987,718)</u>	<u>14,124</u>	<u>(274,938)</u>	<u>317,500</u>
Other Financing Sources (Uses):					
Transfers from other funds	-	987,718	-	345,761	1,333,479
Transfer to other funds	<u>(1,142,718)</u>	<u>-</u>	<u>-</u>	<u>(190,761)</u>	<u>(1,333,479)</u>
Total other financing sources (uses)	<u>(1,142,718)</u>	<u>987,718</u>	<u>-</u>	<u>155,000</u>	<u>-</u>
Net change in fund balances	423,314	-	14,124	(119,938)	317,500
Fund Balances:					
Beginning of year - July 1	<u>3,468,379</u>	<u>-</u>	<u>-</u>	<u>418,565</u>	<u>3,886,944</u>
End of year - June 30	<u>\$ 3,891,693</u>	<u>\$ -</u>	<u>\$ 14,124</u>	<u>\$ 298,627</u>	<u>\$ 4,204,444</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, 2015**

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

Net changes in fund balances - total governmental funds (Exhibit B)	\$ 317,500
<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	(20,837)
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.	399,092
The sale/disposal of capital assets is reported as a revenue in the governmental funds statement without subtracting the net book value of the capital assets sold.	(31,553)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(388,042)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	175,642
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.)	835,733
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.	(262,263)
The change in the accrued interest liability account is reported as an expense in the entity-wide financial statements. However, it is not an expenditure in the governmental funds statement.	8,559
Expenses that do not require current financial resources are not reported in expenditures in the governmental funds statement.	
Compensated absences	(17,761)
Pension expense	(17,730)
Law Enforcement Officers' Separation	(13,570)
The net revenue of the Internal Service Fund is reported with governmental activities	<u>2,951</u>
Total changes in net position of governmental activities	<u>\$ 987,721</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, 2015**

	General Fund			Variance from Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 6,203,885	\$ 6,203,885	\$ 6,303,949	\$ 100,064
Local option sales taxes	1,886,300	2,018,300	2,013,596	(4,704)
Other taxes and licenses	22,000	22,000	27,155	5,155
Unrestricted intergovernmental revenues	54,100	64,100	64,904	804
Restricted intergovernmental revenues	2,323,202	2,341,780	2,136,886	(204,894)
Permits and fees	107,700	131,675	139,523	7,848
Sales and services	175,033	178,416	177,536	(880)
Investment earnings	9,000	9,000	10,736	1,736
Miscellaneous	48,450	62,350	86,051	23,701
Total revenues	<u>10,829,670</u>	<u>11,031,506</u>	<u>10,960,336</u>	<u>(71,170)</u>
Expenditures:				
Current:				
General government	2,068,634	2,114,940	1,872,044	242,896
Public safety	1,577,573	1,735,918	1,685,760	50,158
Economic and physical development	1,047,915	1,052,450	806,645	245,805
Human services	2,214,397	2,214,497	1,984,855	229,642
Cultural and recreational	329,000	329,000	329,000	-
Intergovernmental:				
Education	<u>2,716,000</u>	<u>2,716,000</u>	<u>2,716,000</u>	<u>-</u>
Total expenditures	<u>9,953,519</u>	<u>10,162,805</u>	<u>9,394,304</u>	<u>768,501</u>
Revenues over (under) expenditures	<u>876,151</u>	<u>868,701</u>	<u>1,566,032</u>	<u>697,331</u>
Other Financing Sources (Uses):				
Transfers from other funds	18,320	18,320	18,320	-
Transfers to other funds	(1,121,471)	(1,176,471)	(1,176,468)	3
Appropriated fund balance	<u>227,000</u>	<u>289,450</u>	<u>-</u>	<u>(289,450)</u>
Total other financing sources (uses)	<u>(876,151)</u>	<u>(868,701)</u>	<u>(1,158,148)</u>	<u>(289,447)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>407,884</u>	<u>\$ 407,884</u>
Fund Balance:				
Beginning of year - July 1			<u>3,260,033</u>	
End of year - June 30			<u>\$ 3,667,917</u>	

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Major Enterprise Funds			Internal Service Fund
	Landfill Fund	Water Fund	Total	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 147,254	\$ 1,887,355	\$ 2,034,609	\$ 3,268
Receivables, net	257,770	153,558	411,328	-
Due from other governments	-	6,919	6,919	20
Inventories	-	50,845	50,845	-
Total current assets	405,024	2,098,677	2,503,701	3,288
Non-current assets:				
Net pension asset	-	15,934	15,934	-
Capital assets:				
Land, improvements, and construction in progress	-	1,343,579	1,343,579	-
Other capital assets, net of depreciation	8,124	4,105,995	4,114,119	-
Total capital assets	8,124	5,449,574	5,457,698	-
Total assets	413,148	7,564,185	7,977,333	3,288
Deferred Outflows of Resources:				
Contributions to pension plan in current fiscal year	-	11,163	11,163	-
Pension deferrals	-	755	755	-
Total deferred outflows of resources	-	11,918	11,918	-
Liabilities:				
Current liabilities:				
Accounts payable	101,979	8,901	110,880	101
Other accrued liabilities	-	3,741	3,741	-
Current portion of compensated absences	-	6,495	6,495	-
Current portion of notes payable	-	173,989	173,989	-
Total current liabilities	101,979	193,126	295,105	101
Non-current liabilities:				
Compensated absences	-	14,331	14,331	-
Other post-employment benefits	-	151,760	151,760	-
Total non-current liabilities	-	166,091	166,091	-
Total liabilities	101,979	359,217	461,196	101
Deferred Inflows of Resources:				
Pension deferrals	-	38,835	38,835	-
Net Position:				
Net investment in capital assets	8,124	5,275,585	5,283,709	-
Unrestricted	303,045	1,902,466	2,205,511	3,187
Total net position	\$ 311,169	\$ 7,178,051	\$ 7,489,220	\$ 3,187

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION- PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Major Enterprise Funds			Internal Service Fund
	Landfill Fund	Water Fund	Total	
Operating Revenues:				
Charges for services	\$ 759,845	\$ 1,099,659	\$ 1,859,504	\$ 3,973
Water and sewer taps	-	17,750	17,750	-
Miscellaneous	87,547	8,971	96,518	-
Total operating revenues	<u>847,392</u>	<u>1,126,380</u>	<u>1,973,772</u>	<u>3,973</u>
Operating Expenses:				
Water operations	-	715,653	715,653	-
Landfill operations	866,537	-	866,537	-
Fleet maintenance	-	-	-	1,022
Depreciation	2,665	226,546	229,211	-
Total operating expenses	<u>869,202</u>	<u>942,199</u>	<u>1,811,401</u>	<u>1,022</u>
Operating income (loss)	<u>(21,810)</u>	<u>184,181</u>	<u>162,371</u>	<u>2,951</u>
Non-Operating Revenues (Expenses):				
Investment earnings	583	5,880	6,463	-
Interest expense	-	(5,352)	(5,352)	-
Total non-operating revenues (expenses)	<u>583</u>	<u>528</u>	<u>1,111</u>	<u>-</u>
Change in net position	<u>(21,227)</u>	<u>184,709</u>	<u>163,482</u>	<u>2,951</u>
Net Position:				
Beginning of year - July 1	332,396	7,014,300	7,346,696	236
Restatement	-	(20,958)	(20,958)	-
Beginning of year - July 1 as restated	<u>332,396</u>	<u>6,993,342</u>	<u>7,325,738</u>	<u>236</u>
End of year - June 30	<u>\$ 311,169</u>	<u>\$ 7,178,051</u>	<u>\$ 7,489,220</u>	<u>\$ 3,187</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, 2015

	Major Enterprise Funds			Internal
	Landfill Fund	Water Fund	Total	Service Fund
Cash Flows from Operating Activities:				
Cash received from customers	\$ 690,285	\$ 1,092,906	\$ 1,783,191	\$ 4,231
Cash paid for goods and services	(850,194)	(508,856)	(1,359,050)	(963)
Cash paid to employees for services	-	(196,857)	(196,857)	-
Other operating revenues	87,547	8,971	96,518	-
Net cash provided (used) by operating activities	<u>(72,362)</u>	<u>396,164</u>	<u>323,802</u>	<u>3,268</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	(204,295)	(204,295)	-
Principal paid on bond maturities and equipment contracts	-	(170,950)	(170,950)	-
Interest paid on bond maturities equipment contracts	-	(5,352)	(5,352)	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(380,597)</u>	<u>(380,597)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Interest on investments	583	5,880	6,463	-
Net increase (decrease) in cash and cash equivalents	(71,779)	21,447	(50,332)	3,268
Cash and Cash Equivalents:				
Beginning of year - July 1	<u>219,033</u>	<u>1,865,908</u>	<u>2,084,941</u>	<u>-</u>
End of year - June 30	<u>\$ 147,254</u>	<u>\$ 1,887,355</u>	<u>\$ 2,034,609</u>	<u>\$ 3,268</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (21,810)	\$ 184,181	\$ 162,371	\$ 2,951
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	2,665	226,546	229,211	-
Pension expense (benefit)	-	1,189	1,189	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(69,560)	(2,356)	(71,916)	258
(Increase) decrease in inventory	-	(8,578)	(8,578)	-
Increase (decrease) in accounts payable and accrued liabilities	16,343	(10,706)	5,637	59
(Increase) decrease in deferred outflows of resources for pensions	-	(11,163)	(11,163)	-
Increase (decrease) in OPEB payable	-	17,051	17,051	-
Total adjustments	<u>(50,552)</u>	<u>211,983</u>	<u>161,431</u>	<u>317</u>
Net cash provided (used) by operating activities	<u>\$ (72,362)</u>	<u>\$ 396,164</u>	<u>\$ 323,802</u>	<u>\$ 3,268</u>

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

GATES COUNTY, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015**

	<u>Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ 774
Receivables	<u>3,232</u>
Total assets	<u>\$ 4,006</u>
 Liabilities:	
Miscellaneous liabilities	<u>\$ 4,006</u>

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

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GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

Gates County, North Carolina (the “County”), governed by a five-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. GASB Statements define component units as legally separate organizations for which the elected officials of the primary government are financially accountable if it appoints a voting majority of the organization's governing body and a) it is able to impose its will on that organization, or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens upon, the primary government. The County seat is located in Gatesville, North Carolina. The County operates under a Council/Manager form of government and provides the following services as authorized by its charter: public safety, health, social service programs, and community development.

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

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

Gates County Alcoholic Beverage Control Board

The Gates County Alcoholic Beverage Control Board (“ABC Board”) is governed by a three-member Board appointed by the County Commissioners as ABC Board members' terms expire. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County. The ABC Board, which has a June 30 year-end, is presented as if it was a proprietary fund (discrete presentation).

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

B. Basis of Presentation

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

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

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

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

The County reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the County. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The Tax Revaluation Fund and the USDA loan funds are legally budgeted funds under North Carolina General Statutes; however, for statement presentation in accordance with GASB No. 54, they are consolidated in the General Fund.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Homeland Security Grant Fund. The fund is used to account for the expenditures of Homeland Security Grant funds for the purpose of purchasing generators and transfer switches for the 13 county region of Northeastern North Carolina including Gates, Currituck, Hertford, Pasquotank, Perquimans, Camden, Dare, Hyde, Tyrell, Martin, Washington, Chowan and Bertie. This federal grant money is distributed from NC Emergency Management through the Domestic Preparedness Regions (DPR -1, 13 Counties) to a host county (Gates) for infrastructure purchases to help in disasters.

The County reports all of its enterprise funds as major:

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

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

The County reports the following fund types:

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

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

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

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all Counties, municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

D. Budgetary Data

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

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Deposits and Investments

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

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

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

Cash and Cash Equivalents

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

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

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed. Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. Also, cash related to the Register of Deed's Automation Enhancement Project is classified as restricted cash, as its use is restricted by State Statute.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Restricted cash is comprised of the following:

Governmental Activities:

General Fund:

Tax revaluation	\$	207,551
Register of Deeds		<u>4,476</u>
Total restricted cash	\$	<u>212,027</u>

Ad Valorem Taxes Receivable

In accordance with State laws [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2014.

Allowances for Doubtful Accounts

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

Inventories

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

Capital Assets

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

Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or significantly extend the asset's life are not capitalized. The County capitalizes interest costs, which are incurred during the construction period of capital assets.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has two items that meet this criterion-pension related deferrals, and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has three items that meet this criterion, prepaid taxes, property taxes receivable, and other pension related deferrals.

Compensated Absences

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

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

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Restricted fund balance at June 30, 2015 is as follows:

Purpose	General Fund	Other Governmental Funds	Total
Restricted, All Other:			
Register of Deeds	\$ 4,476	\$ -	\$ 4,476
General government	207,551	-	207,551
Public safety	-	133,088	133,088
Total	\$ 212,027	\$ 133,088	\$ 345,115

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

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

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

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

Subsequent Year's Expenditures – portion of fund balance that has been approved by formal action of the Board of County Commissioners for appropriation into the next fiscal year. A modification of this amount requires action by the Board. The Board may, at its discretion, make other assignments of fund balance.

Purpose	General Fund
Debt service	\$ 16,225
Subsequent years expenditures	82,000
Total assigned fund balance	\$ 98,225

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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	\$	3,891,693
Less:		
Stabilization by State statute		<u>(991,401)</u>
Total available fund balance	\$	<u><u>2,900,292</u></u>

Defined Benefit Pension Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "State-administered defined benefit pension plans"). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the State-administered defined benefit pension plans and additions to/deductions from the State-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the State administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the State-administered defined benefit pension plans. Investments are reported at fair value.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

Fund balance, ending - Exhibit F	\$	3,667,917
Tax Revaluation Fund:		
Transfer in		33,750
Fund balance, beginning		173,801
USDA Loan Fund:		
Transfer in (out)		(18,320)
Fund balance, beginning		<u>34,545</u>
Fund balance, ending - Exhibit D	\$	<u><u>3,891,693</u></u>

Interfund Transactions

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

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.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

2. Stewardship, Compliance, and Accountability

Expenditures Exceeding Appropriations

The County had excess expenditures over appropriations as of June 30, 2015 as follows:

<u>Fund</u>	<u>Amount</u>
Landfill	<u>\$ 64,537</u>

The County will monitor budgetary compliance more closely in the future.

3. 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, 2015, the County's bank deposits had a carrying amount of \$5,484,776 and a bank balance of \$5,670,506. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$5,420,506 was covered by the Pooling Method. At June 30, 2015, Gates County had \$750 cash on hand.

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Investments

At June 30, 2015, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>
North Carolina Capital Management Trust - Cash Portfolio	AAAm	\$ 50,133
Total investments		<u>\$ 50,133</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, 2015.

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

In accordance with the General Statutes, agriculture, horticulture, and forestland may be taxed by the County at the present use-value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Ending</u> <u>June 30</u>	<u>Valuation</u>	<u>Deferred Tax</u>
2012	\$ 202,992,792	\$ 1,299,154
2013	208,787,436	1,336,240
2014	209,310,852	1,339,590
2015	<u>211,222,895</u>	<u>1,138,035</u>
Total	<u>\$ 621,091,080</u>	<u>\$ 3,974,984</u>

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

5. Receivables

Receivables at Exhibit A at June 30, 2015, were as follows:

<u>Type of Receivable</u>	<u>Amount (Net of Allowance)</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts Receivable:			
Taxes receivable	\$ 282,926	\$ -	\$ 282,926
Accounts receivable	232,515	-	232,515
Customer/client billings	-	411,328	411,328
Total	<u>\$ 515,441</u>	<u>\$ 411,328</u>	<u>\$ 926,769</u>
Due from Other Governments:			
Local option sales tax	\$ 423,987	\$ -	\$ 423,987
Sales tax refund	23,178	6,919	30,097
All other	354,344	-	354,344
Total	<u>\$ 801,509</u>	<u>\$ 6,919</u>	<u>\$ 808,428</u>

Allowances for Doubtful Accounts

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

<u>Fund</u>	<u>Allowance</u>
Governmental Activities:	
Property taxes - General Fund	\$ 259,228
Total	<u>\$ 259,228</u>
Business-Type Activities:	
Landfill Fund	\$ 98,725
Water Fund	66,959
Total	<u>\$ 165,684</u>

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

6. Capital Assets

Governmental Capital Assets

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

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
Governmental Activities				
Non-Depreciable Assets:				
Land	\$ 1,138,007	\$ -	\$ -	\$ 1,138,007
Construction in progress	<u>192,887</u>	<u>198,215</u>	<u>-</u>	<u>391,102</u>
Total non-depreciable assets	<u>1,330,894</u>	<u>198,215</u>	<u>-</u>	<u>1,529,109</u>
Depreciable Assets:				
Buildings	5,795,252	-	-	5,795,252
Other improvements	608,306	28,665	-	636,971
Equipment	945,576	12,900	-	958,476
Vehicles and motorized equipment	<u>1,114,388</u>	<u>159,312</u>	<u>(139,620)</u>	<u>1,134,080</u>
Total depreciable assets	<u>8,463,522</u>	<u>200,877</u>	<u>(139,620)</u>	<u>8,524,779</u>
Less Accumulated Depreciation:				
Buildings	1,778,295	138,906	-	1,917,201
Other improvements	75,856	40,039	-	115,895
Equipment	553,953	75,882	-	629,835
Vehicles and motorized equipment	<u>730,250</u>	<u>133,215</u>	<u>(108,067)</u>	<u>755,398</u>
Total accumulated depreciation	<u>3,138,354</u>	<u>388,042</u>	<u>(108,067)</u>	<u>3,418,329</u>
Depreciable capital assets, net	<u>5,325,168</u>	<u>\$ (187,165)</u>	<u>\$ (31,553)</u>	<u>5,106,450</u>
Capital assets, net	<u>\$ 6,656,062</u>			<u>\$ 6,635,559</u>

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

Governmental Activities:	
General government	\$ 69,848
Public safety	89,250
Human services	120,293
Economic and physical development	81,489
Cultural and recreational	<u>27,163</u>
Total	<u>\$ 388,042</u>

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2015, are as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
Water Fund:				
Non-Depreciable Assets:				
Land	\$ 27,476	\$ -	\$ -	\$ 27,476
Construction in progress	<u>1,139,950</u>	<u>176,153</u>	<u>-</u>	<u>1,316,103</u>
Total non-depreciable assets	<u>1,167,426</u>	<u>176,153</u>	<u>-</u>	<u>1,343,579</u>
Depreciable Assets:				
Plant and systems	9,134,858	-	-	9,134,858
Furniture and maintenance equipment	437,041	-	-	437,041
Vehicles	<u>195,721</u>	<u>28,142</u>	<u>-</u>	<u>223,863</u>
Total depreciable assets	<u>9,767,620</u>	<u>28,142</u>	<u>-</u>	<u>9,795,762</u>
Less Accumulated Depreciation:				
Plant and distribution systems	4,931,847	183,570	-	5,115,417
Furniture and maintenance equipment	380,048	22,560	-	402,608
Vehicles	<u>151,326</u>	<u>20,416</u>	<u>-</u>	<u>171,742</u>
Total accumulated depreciation	<u>5,463,221</u>	<u>\$ 226,546</u>	<u>\$ -</u>	<u>5,689,767</u>
Depreciable capital assets, net	<u>4,304,399</u>			<u>4,105,995</u>
Water fund capital assets, net	<u>5,471,825</u>			<u>5,449,574</u>

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
Landfill Fund:				
Depreciable Assets:				
Plant and systems	5,595	\$ -	\$ -	5,595
Vehicles	10,523	-	-	10,523
Total depreciable assets	<u>16,118</u>	<u>-</u>	<u>-</u>	<u>16,118</u>
Less Accumulated Depreciation:				
Plant and distribution systems	1,120	560	-	1,680
Vehicles	4,209	2,105	-	6,314
Total accumulated depreciation	<u>5,329</u>	<u>\$ 2,665</u>	<u>\$ -</u>	<u>7,994</u>
Depreciable capital assets, net	<u>10,789</u>			<u>8,124</u>
Landfill capital assets, net	<u>10,789</u>			<u>8,124</u>
Business-type activities capital assets, net	<u>\$ 5,482,614</u>			<u>\$ 5,457,698</u>

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2015 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 6,635,559	\$ 5,457,698
Long-term debt, County owned assets	1,869,750	173,989
Net investment in capital assets	<u>\$ 4,765,809</u>	<u>\$ 5,283,709</u>

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

7. Accounts Payable and Accrued Expenses

Disaggregation Information

Total payables at the government-wide level as of June 30, 2015:

<u>Type of Payable</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Trade payables	\$ 308,829	\$ 114,621	\$ 423,450
Accrued interest	62,585	-	62,585
Total	<u>\$ 371,414</u>	<u>\$ 114,621</u>	<u>\$ 486,035</u>

8. Pension Plan Obligations

Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$186,050 for the year ended June 30, 2015.

Refunds of Contributions – County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2015, the County reported an asset of \$265,563 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the County's proportion was .045%, which was an increase of .002% from its proportion measured as of June 30, 2013.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

For the year ended June 30, 2015, the County recognized pension expense of \$19,801. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	29,017
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	618,224
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,574	-
Employer contributions subsequent to the measurement date	186,050	-
Total	\$ 198,624	\$ 647,241

\$186,050 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30	Amount
2016	\$ (158,677)
2017	(158,677)
2018	(158,677)
2019	(158,636)
Total	\$ (634,667)

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	\$ 901,435	\$ (265,563)	\$ (1,248,137)

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

Law Enforcement Officers' Special Separation Allowance

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>13</u>
Total	<u><u>13</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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

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

Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2013 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, 2013 was 17 years.

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

Annual required contribution	\$ 18,795
Interest on net pension obligation	7,577
Adjustment to annual required contribution	<u>(12,802)</u>
Annual pension cost	13,570
Employer contributions made for fiscal year ended June 30, 2015	<u>-</u>
Increase in net pension obligation	13,570
Net pension obligation:	
Beginning of year - July 1	<u>151,542</u>
End of year - June 30	<u><u>\$ 165,112</u></u>

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2013	\$ 11,799	0.00%	\$ 140,923
6/30/2014	10,619	0.00%	151,542
6/30/2015	13,570	0.00%	165,112

Funding Status and Funding Progress. As of December 31, 2014, the Plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$146,152. The covered payroll (annual payroll of active employees covered by the plan) was \$472,508, and the ratio of the UAAL to the covered payroll was 30.93%.

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2015 were \$33,085, which consisted of \$23,048 from the County and \$10,037 from the law enforcement officers.

Registers of Deeds' Supplemental Pension Fund

Plan Description. Gates County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$755 for the year ended June 30, 2015.

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

At June 30, 2015, the County reported an asset of \$22,616 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2014, the County's proportion was .100%, which was a increase of .005% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$(883). At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 208	\$ -
Net difference between projected and actual earnings on pension plan investments	-	122
Changes in proportion and differences between County contributions and proportionate share of contributions	-	678
County contributions subsequent to the measurement date	755	-
Total	\$ 963	\$ 800

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

\$755 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2016	\$ (244)
2017	(244)
2018	(73)
2019	(31)
Total	<u>\$ (592)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	4.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	5.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.5%:

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 5.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
County's proportionate share of the net pension liability (asset)	\$ (20,308)	\$ (22,616)	\$ (24,600)

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

Other Post-Employment Benefits-Healthcare

Plan Description. The County provides healthcare benefits through a single-employer defined benefit plan to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System, have 20 years of creditable service with the County, and meet requirements for full retirement under the Local Governmental Employee's Retirement System. The County pays the full cost of coverage for these benefits. Coverage for all retirees who are

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. Currently, seven retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2015, the County made payments for post-retirement health benefit premiums of \$40,311. A separate report was not issued for the plan.

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

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	9	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	54	13
Total	63	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 14.54% of annual covered payroll. For the current year, the County contributed \$40,311, or 1.85%, of annual covered payroll. There were no contributions made by employees. The County’s obligation to contribute to the plan is established and may be amended by the Board of County Commissioners.

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

Annual OPEB Cost and Net Obligation. The County’s annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 297,541	\$ 18,992	\$ 316,533
Interest on net OPEB obligation	65,035	4,151	69,186
Adjustments to annual required contribution	(62,421)	(3,673)	(66,094)
Annual OPEB cost (expense)	300,155	19,470	319,625
Contributions made	(37,892)	(2,419)	(40,311)
Increase (decrease) in net OPEB obligation	262,263	17,051	279,314
Net OPEB obligation:			
Beginning of year - July 1	1,594,931	134,709	1,729,640
End of year - June 30	<u>\$ 1,857,194</u>	<u>\$ 151,760</u>	<u>\$ 2,008,954</u>

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

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 309,499	19.00%	\$ 1,473,210
2014	309,499	17.10%	1,729,640
2015	319,625	12.61%	2,008,954

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$3,684,889. The covered payroll (annual payroll of active employees covered by the plan) was \$2,175,983, and the ratio of the UAAL to the covered payroll was 169.3 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan, and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

In the December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and a pre-Medicare trend rate from 8.5 percent – 5 percent along with a post-Medicare rate of 6.25 percent – 5 percent. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012 was 30 years.

As of June 30, 2015, management had not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the County Commissioners.

Other Employment Benefits

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

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

9. Deferred Outflows and Inflows of Resources

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

	<u>Amount</u>
Contributions to pension plans in fiscal year	\$ 186,805
Pension deferrals	<u>12,782</u>
Total deferred outflows of resources	<u>\$ 199,587</u>

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

	<u>Amount</u>
Taxes receivable (net)	\$ 282,926
Prepaid taxes	17,841
Pension deferrals	<u>648,041</u>
Total	<u>\$ 930,967</u>

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

10. Long-Term Obligations

Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2015:

	<u>Balance</u>			<u>Balance</u>	<u>Current</u>
	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>	<u>Portion of</u>
					<u>Balance</u>
Governmental Activities:					
Notes payable	\$ 5,738,817	\$ -	\$ (835,733)	\$ 4,903,084	\$ 838,692
OPEB liability	1,594,931	300,113	(37,850)	1,857,194	-
Pension liability-LGERS	489,482	-	(489,482)	-	-
LEO liability	151,542	13,570	-	165,112	-
Compensated absences	<u>239,886</u>	<u>55,185</u>	<u>(37,424)</u>	<u>257,647</u>	<u>64,412</u>
Total governmental activities	<u>\$ 8,214,658</u>	<u>\$ 368,868</u>	<u>\$ (1,400,489)</u>	<u>\$ 7,183,037</u>	<u>\$ 903,104</u>
Business-Type Activities:					
Notes payable	\$ 344,939	\$ -	\$ (170,950)	\$ 173,989	\$ 173,989
Pension liability-LGERS	31,244	-	(31,244)	-	-
OPEB liability	134,709	19,512	(2,461)	151,760	-
Compensated absences	<u>25,978</u>	<u>392</u>	<u>(5,544)</u>	<u>20,826</u>	<u>6,495</u>
Total business-type activities	<u>\$ 536,870</u>	<u>\$ 19,904</u>	<u>\$ (210,199)</u>	<u>\$ 346,575</u>	<u>\$ 180,484</u>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

North Carolina General Statutes limit certain indebtedness of the County to an amount not greater than 8 percent of the appraised value of property subject to taxation by the County. At June 30, 2015, the legal debt limit and legal debt margin given no bonded debt outstanding totaled \$72,394,402.

Notes Payable

Serviced by General Fund:

3.98% note; payable in semi-annual installments of \$216,667, plus interest; original issuance of \$6,500,000 was for the expansion of public school facilities; matures January 2022; secured by school real estate; original note was refinanced in March 2012, with an outstanding principal balance of \$4,460,000, with interest payable at 2.91%, with an original maturity date of March 2022 \$ 3,033,334

2.89% note; payable in annual installments of \$142,054, including interest. The original issuance was \$1,709,409 with BB&T governmental finance; to finance the construction of Social Services building; matures September 2025; secured by Social Services building 1,269,750

1.77% 5 year note; payable in semi-annual installments of \$150,000, plus interest; original issuance of \$1,500,000 with BB&T governmental finance; to finance the construction of new library; issued March 2012; matures March 2017 600,000

Total notes payable \$ 4,903,084

Serviced by Water Fund:

4.90% note; payable in semi-annual installments of \$95,110, including interest; original issuance of \$1,954,190 on December 12, 2001 with Southern Bank & Trust for County water system improvements; original note was modified with Southern Bank to obtain a lower rate December 2011, with interest payable at 1.77% and matures June 2016 \$ 173,989

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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>
2016	\$ 838,692	\$ 162,404	\$ 173,989	\$ 2,313
2017	841,737	136,802	-	-
2018	544,870	112,440	-	-
2019	548,093	91,970	-	-
2020	551,409	71,406	-	-
2021-2025	1,510,250	109,807	-	-
2026	<u>68,032</u>	<u>1,966</u>	-	-
Total	<u>\$ 4,903,084</u>	<u>\$ 686,795</u>	<u>\$ 173,989</u>	<u>\$ 2,313</u>

11. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$200 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of a \$500,000 retention up to a \$2 million limit for liability coverage and \$1,750,000 of each loss in excess of a \$250,000 per occurrence retention for property and auto physical damage. For workers' compensation, there is a per occurrence retention of \$750,000.

The County carries flood insurance through the NCACC Liability and Property Pool. Because the County is in an area of the State that has been mapped and designated an “A” area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the County is eligible to purchase coverage of \$25,000 per structure for each occurrence. The DSS building is covered by flood insurance provided by F.E.M.A. and provides \$500,000 for the building and an additional \$500,000 for the contents.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more of the County's funds at any given time are performance bonded through an insurance policy bond. The Finance Officer and the Tax Collector are each individually bonded for \$200,000 each. The Sheriff and Register of Deeds are each individually bonded for \$7,500 and \$15,000, respectively. The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

12. Landfill Closure and Post-Closure Care Costs

Federal and State laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. As indicated in Note 14, 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.

13. Interfund Balances and Activity

Transfer To/From Other Funds

Transfers to/from other funds for the year ended June 30, 2015 consisted of the following:

Fund Type	Fund Name	From	To	Purpose
General	General Fund	\$ 1,176,468	\$ 18,320	
Debt Service	Debt Service Fund	-	987,718	Debt service payments
Capital Project	Old Courthouse Restoration Project	-	155,000	To finance project
Special Revenue Fund	Emergency Telephone System Fund	-	190,761	To finance project
Special Revenue Fund	Emergency Communications			
	Enhancement Grant	190,761	-	To finance project
Governmental Fund	Revaluation Fund	-	33,750	Required contribution for revaluation fund reserve
Governmental Fund	USDA Loan Fund	18,320	-	Debt service payments
	Total	<u>\$ 1,385,549</u>	<u>\$ 1,385,549</u>	

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Due to/from other funds are summarized as follows:

<u>Fund Name</u>	<u>Due To</u>	<u>Due From</u>	<u>Purpose</u>
General	\$ 176,573	\$ -	
CDBG Scattered Site Grant Project	-	240	Cash overdrafts
Homeland Security Grant	-	99,676	Cash overdrafts
Hazard Mitigation Grant	-	76,657	Cash overdrafts
Total	<u>\$ 176,573</u>	<u>\$ 176,573</u>	

14. Joint Ventures

The County participates in a joint venture to operate Perquimans-Chowan Gates Regional Landfill (Landfill) with two other counties. Each participating government appoints their County Manager and one Commissioner to the nine-member Board of the Landfill. Although the Landfill is no longer accepting solid waste, the site will continue to be used as a waste transfer station. Gates County will continue to pay 25% of the site's operating cost and 33% of any capital outlay and administration cost. In accordance with the intergovernmental agreement between the participating governments, the County paid \$742,976 for operating costs.

The County participates in a joint venture to operate Albemarle Regional Library (Library) which serves a four-County district. Gates County appoints three members to the ten-member district Library Board. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library system, so no equity interest has been reflected in the financial statements at June 30, 2015. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$92,000 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's office on Tryon Street, Winton, North Carolina 27986.

The County also participates in a joint venture to operate Albemarle Regional Health Services with seven other counties. The area Board of Commissioners appoints the fifteen-member governing Board. The County has an ongoing financial responsibility for Albemarle Regional Health Services because the County is required by State statute to provide public health services either directly or jointly with other counties. Neither of the participating governments have any equity interest in Albemarle Regional Health Services, so no equity interest has been reflected in the financial statements at June 30, 2015. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$113,500 to the Albemarle Regional Health Services to supplement its activities. Complete financial statements for the Albemarle Regional Health Services can be obtained from their office at P.O. Box 189, Elizabeth City, North Carolina 27909.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

15. 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 \$7,772 to the Commission during the fiscal year ended June 30, 2015.

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

The County, in conjunction with other counties, participates in East Carolina Behavioral Health, a local management entity for mental healthcare services. These entities provide mental health services to the residents of the participating counties through satellite offices. The County contributed \$29,921 to this organization during the fiscal year ended June 30, 2015.

16. Benefit Payments Issued by the State

Certain amounts were paid directly to individual recipients by the State from Federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations that cause benefit payments to be issued by the State. This additional aid to County recipients does not appear in the basic financial statements because it does not represent revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 8,197,159	\$ 4,319,942
WIC	133,127	-
IV- E Foster Care	117,976	-
Energy Assistance	112,962	-
TANF	210,383	-
Total	<u>\$ 8,771,607</u>	<u>\$ 4,319,942</u>

17. 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.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

18. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the County to record beginning net pension liability and the effects on net position of contributions made by the County during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$307,205 and \$20,958, respectively.

GATES COUNTY, NORTH CAROLINA

**OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

Schedule of Funding Progress

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

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2015	\$ 316,533	\$ 40,311	12.74%
2014	307,314	53,069	17.27%
2013	307,314	58,717	19.11%
2012	454,514	55,942	12.31%
2011	454,514	40,041	8.81%

Notes to the Required Schedules:

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

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Pre-Medicare trend rate	8.5% - 5.0%
Post-Medicare trend rate	6.25% - 5.0%
Year of Ultimate trend rate	2018

* Includes inflation at 3.00%

GATES COUNTY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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)
12/31/2011	\$ -	\$ 90,169	\$ 90,169	0.00%	\$ 420,215	21.41%
12/31/2012	-	100,267	100,267	0.00%	430,303	23.30%
12/31/2013	-	115,893	115,893	0.00%	429,629	26.98%
12/31/2014	-	146,152	146,152	0.00%	472,508	30.93%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage of ARC Contributed
2012	\$ 12,252	0.00%
2013	13,379	0.00%
2014	15,054	0.00%
2015	18,795	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	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	16 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	Ranges from 4.25 to 7.85%
Cost-of-living adjustments	None

*Includes inflation at 3.00%

GATES COUNTY, NORTH CAROLINA

**PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST TWO FISCAL YEARS ***

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	-0.0450%	0.0432%
County's proportion of the net pension liability (asset) (\$)	\$ (265,563)	\$ 520,726
County's covered-employee payroll	\$ 2,404,383	\$ 2,061,051
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-11.04%	25.27%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

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

GATES COUNTY, NORTH CAROLINA

CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS**Local Government Employees' Retirement System**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 186,050	\$ 171,421
Contributions in relation to the contractually required contribution	<u>186,050</u>	<u>171,421</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,573,301	\$ 2,404,383
Contributions as a percentage of covered-employee payroll	7.23%	7.13%

GATES COUNTY, NORTH CAROLINA**GATES COUNTY'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS*****Register of Deeds' Supplemental Pension Fund**

	<u>2015</u>	<u>2014</u>
Gates County's proportion of the net pension liability (asset) (%)	0.10%	0.10%
Gates County's proportion of the net pension liability (asset) (\$)	\$ (22,616)	\$ (20,326)
Gates County's covered-employee payroll	\$ 43,333	\$ 48,315
Gates County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-52.19%	-42.07%
Plan fiduciary net position as a percentage of the total pension liability**	193.88%	190.50%

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

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

GATES COUNTY, NORTH CAROLINA

GATES COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TWO FISCAL YEARS

Register of Deeds' Supplemental Pension Fund

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 755	\$ 815
Contributions in relation to the contractually required contribution	<u>755</u>	<u>815</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Gates County's covered-employee payroll	\$ 41,206	\$ 43,333
Contributions as a percentage of covered-employee payroll	1.83%	1.88%

GATES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ACTUAL - GENERAL FUND CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Revaluation Fund</u>	<u>USDA Loan Fund</u>	<u>Eliminations</u>	<u>Total General Fund</u>
Revenues:					
Ad valorem taxes	\$ 6,303,949	\$ -	\$ -	\$ -	\$ 6,303,949
Local option sales taxes	2,013,596	-	-	-	2,013,596
Other taxes and licenses	27,155	-	-	-	27,155
Unrestricted intergovernmental revenues	64,904	-	-	-	64,904
Restricted intergovernmental revenues	2,136,886	-	-	-	2,136,886
Permits and fees	139,523	-	-	-	139,523
Sales and services	177,536	-	-	-	177,536
Investment earnings	10,736	-	-	-	10,736
Miscellaneous	86,051	-	-	-	86,051
Total revenues	<u>10,960,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,960,336</u>
Expenditures:					
Current:					
General government	1,872,044	-	-	-	1,872,044
Public safety	1,685,760	-	-	-	1,685,760
Economic and physical development	806,645	-	-	-	806,645
Human services	1,984,855	-	-	-	1,984,855
Cultural and recreational	329,000	-	-	-	329,000
Education	2,716,000	-	-	-	2,716,000
Total expenditures	<u>9,394,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,394,304</u>
Revenues over (under) expenditures	<u>1,566,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,566,032</u>
Other Financing Sources (Uses):					
Transfers from other funds	18,320	33,750	-	(52,070)	-
Transfer to other funds	<u>(1,176,468)</u>	<u>-</u>	<u>(18,320)</u>	<u>52,070</u>	<u>(1,142,718)</u>
Total other financing sources (uses)	<u>(1,158,148)</u>	<u>33,750</u>	<u>(18,320)</u>	<u>-</u>	<u>(1,142,718)</u>
Net change in fund balances	407,884	33,750	(18,320)	-	423,314
Fund Balances:					
Beginning of year - July 1	<u>3,260,033</u>	<u>173,801</u>	<u>34,545</u>	<u>-</u>	<u>3,468,379</u>
End of year - June 30	<u>\$ 3,667,917</u>	<u>\$ 207,551</u>	<u>\$ 16,225</u>	<u>\$ -</u>	<u>\$ 3,891,693</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, 2015

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

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 6,127,385	\$ 6,239,517	\$ 112,132	\$ 6,269,378
Penalties and interest	76,500	64,432	(12,068)	72,964
Total	<u>6,203,885</u>	<u>6,303,949</u>	<u>100,064</u>	<u>6,342,342</u>
Local Option Sales Taxes:				
Article 39	446,800	452,152	5,352	417,683
Article 40 one-half of one percent	703,500	713,534	10,034	661,627
Article 42 one-half of one percent	242,000	242,200	200	225,110
Article 44	-	(17)	(17)	207
Medicaid Hold Harmless payment	626,000	605,727	(20,273)	653,245
Total	<u>2,018,300</u>	<u>2,013,596</u>	<u>(4,704)</u>	<u>1,957,872</u>
Other Taxes and Licenses:				
Deep stamp excise tax	20,000	25,233	5,233	23,147
ABC bottle tax	2,000	1,922	(78)	1,323
Total	<u>22,000</u>	<u>27,155</u>	<u>5,155</u>	<u>24,470</u>
Unrestricted Intergovernmental Revenues:				
Payments in lieu of taxes	7,500	8,280	780	8,846
Beer and wine tax	55,000	55,167	167	50,956
Cable franchise fees	1,600	1,457	(143)	1,465
Total	<u>64,100</u>	<u>64,904</u>	<u>804</u>	<u>61,267</u>
Restricted Intergovernmental Revenues:				
Federal and State grants	<u>2,341,780</u>	<u>2,136,886</u>	<u>(204,894)</u>	<u>2,184,464</u>
Permits and Fees:				
Building permits	83,975	98,817	14,842	49,021
Register of Deeds	47,700	40,706	(6,994)	41,428
Total	<u>131,675</u>	<u>139,523</u>	<u>7,848</u>	<u>90,449</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, 2015

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

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Sales and Services:				
Transportation fares	20,000	17,584	(2,416)	19,641
Rents, concessions, and fees	72,364	67,541	(4,823)	93,287
Jail fees	35,552	29,511	(6,041)	42,876
School resource officer	30,500	41,810	11,310	18,601
Court facilities fees	20,000	21,090	1,090	23,052
Total	<u>178,416</u>	<u>177,536</u>	<u>(880)</u>	<u>197,457</u>
Investment Earnings	<u>9,000</u>	<u>10,736</u>	<u>1,736</u>	<u>10,867</u>
Miscellaneous:				
Insurance reimbursement	-	-	-	12,401
Sale of assets	26,900	26,317	(583)	16,394
Other	35,450	59,734	24,284	31,480
Total	<u>62,350</u>	<u>86,051</u>	<u>23,701</u>	<u>60,275</u>
Total revenues	<u>11,031,506</u>	<u>10,960,336</u>	<u>(71,170)</u>	<u>10,929,463</u>
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	70,405	68,664	1,741	66,879
Operating expenditures	37,520	34,613	2,907	19,357
Overhead allocated to other funds	(24,719)	(25,819)	1,100	(21,557)
Total	<u>83,206</u>	<u>77,458</u>	<u>5,748</u>	<u>64,679</u>
Financial Services:				
Salaries and employee benefits	479,154	444,438	34,716	348,255
Operations	172,950	148,506	24,444	118,006
Capital outlay	-	-	-	4,010
Overhead allocated to other funds	(269,581)	(267,480)	(2,101)	(141,080)
Total	<u>382,523</u>	<u>325,464</u>	<u>57,059</u>	<u>329,191</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, 2015

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

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Administration:				
Salaries and employee benefits	162,955	155,332	7,623	158,924
Operating expenditures	25,400	15,178	10,222	19,112
Overhead allocated to other funds	(47,089)	(42,628)	(4,461)	(44,509)
Total	141,266	127,882	13,384	133,527
Tax Collection:				
Salaries and employee benefits	202,973	200,154	2,819	186,778
Operating expenditures	109,415	95,560	13,855	94,096
Total	312,388	295,714	16,674	280,874
Legal:				
Contracted services	20,000	17,261	2,739	19,273
Court Facilities:				
Operating expenditures	20,500	17,790	2,710	16,905
Elections:				
Salaries and employee benefits	62,748	58,634	4,114	49,944
Operating expenditures	39,705	38,236	1,469	43,490
Total	102,453	96,870	5,583	93,434
Register of Deeds:				
Salaries and employee benefits	90,773	82,929	7,844	82,683
Operating expenditures	25,331	22,570	2,761	21,021
Total	116,104	105,499	10,605	103,704
Public Buildings:				
Salaries and employee benefits	150,586	139,799	10,787	117,878
Operating expenditures	264,950	241,346	23,604	250,065
Overhead allocated to other funds	(31,136)	(30,175)	(961)	(58,871)
Total	384,400	350,970	33,430	309,072

GATES COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

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

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
County Capital Improvement Program:				
Equipment	442,100	349,234	92,866	241,369
Vehicles	100,000	99,915	85	66,159
Total	542,100	449,149	92,951	307,528
Sustainability:				
Operations	10,000	7,987	2,013	9,834
Total general government	2,114,940	1,872,044	242,896	1,668,021
Public Safety:				
Sheriff and Communications:				
Salaries and employee benefits	771,591	746,572	25,019	725,129
Operating expenditures	158,052	130,897	27,155	143,429
Total	929,643	877,469	52,174	868,558
Jail:				
Operating expenditures	234,200	247,411	(13,211)	160,132
Total	234,200	247,411	(13,211)	160,132
Emergency Management:				
Salaries and employee benefits	301,738	303,576	(1,838)	277,850
Operating expenditures	36,864	31,816	5,048	36,599
Capital outlay	700	700	-	386
Overhead allocated to other funds	(40,000)	(40,000)	-	(40,000)
Total	299,302	296,092	3,210	274,835
Fire:				
Forest fire protection	58,082	54,007	4,075	52,087
Recue Squad:				
Allocation	25,000	25,000	-	25,000

GATES COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

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

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Building Inspector:				
Salaries and employee benefits	119,316	112,777	6,539	84,732
Operating expenditures	14,875	13,885	990	12,907
Total	134,191	126,662	7,529	97,639
Medical Examiner:				
Professional services	5,500	7,450	(1,950)	600
Animal Control:				
Operating expenditures	50,000	51,669	(1,669)	22,815
Total public safety	1,735,918	1,685,760	50,158	1,501,666
Economic and Physical Development:				
Agricultural Extension:				
Salaries and employee benefits	131,164	110,411	20,753	131,221
Operating expenditures	20,845	17,826	3,019	17,946
Total	152,009	128,237	23,772	149,167
Soil and Water Conservation:				
Salaries and employee benefits	83,887	83,638	249	79,177
Operating expenditures	9,766	5,478	4,288	5,770
Total	93,653	89,116	4,537	84,947
Zoning:				
Salaries and employee benefits	77,496	68,555	8,941	-
Operating expenditures	36,600	23,343	13,257	-
Total	114,096	91,898	22,198	-

GATES COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

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

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Cooperative Extension Service:				
Genesis	28,754	26,178	2,576	33,663
School age child care	30,659	25,451	5,208	29,949
Life Smarts	1,694	-	1,694	565
Making a job	-	-	-	3,164
4-H Program	2,259	1,171	1,088	1,644
SHIP Grant	4,404	3,339	1,065	4,098
Total	67,770	56,139	11,631	73,083
GITS:				
Salaries and employee benefits	248,611	239,345	9,266	221,463
Operating expenditures	255,051	135,258	119,793	160,581
Capital outlay	121,260	66,652	54,608	130,843
Total	624,922	441,255	183,667	512,887
Total economic and physical development	1,052,450	806,645	245,805	820,084
Human Services:				
Health:				
Administration:				
Albemarle Regional Health Services	113,500	113,500	-	113,500
Albemarle Mental Health Center	30,000	29,922	78	29,323
Albemarle Hospital	8,000	8,000	-	500
Total	151,500	151,422	78	143,323
Social Services:				
Administration:				
Salaries and employee benefits	1,136,992	1,012,811	124,181	1,026,434
Operating expenditures	195,860	171,849	24,011	173,945
Total	1,332,852	1,184,660	148,192	1,200,379
Special Assistance for Adults:				
County participation	95,000	87,341	7,659	92,588

GATES COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

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

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
Medicaid:				
County participation	100,000	81,633	18,367	95,688
Special Social Services:				
Food Stamp Program	3,000	2,866	134	2,720
Daycare	300,436	274,282	26,154	300,491
Crisis intervention	110,917	105,109	5,808	109,529
N.C. Blind Commission	1,000	977	23	972
WorkFirst	11,000	7,219	3,781	12,900
CPS and independent living	5,000	-	5,000	2,350
Others	20,756	6,812	13,944	7,846
Total	452,109	397,265	54,844	436,808
Total social services	1,979,961	1,750,899	229,062	1,825,463
Special Appropriations:				
Veterans service	4,000	4,000	-	4,000
Juvenile crime prevention	32,331	32,331	-	32,831
Others	46,705	46,203	502	45,761
Total special appropriation	83,036	82,534	502	82,592
Total human services	2,214,497	1,984,855	229,642	2,051,378
Cultural and Recreational:				
Community Center:				
Salaries and employee benefits	-	-	-	21,438
Operating expenditures	237,000	237,000	-	208,696
Total	237,000	237,000	-	230,134
Libraries:				
Operating expenditures	92,000	92,000	-	92,000
Total cultural and recreation	329,000	329,000	-	322,134

GATES COUNTY, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

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

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Education:				
Public schools - current	2,708,000	2,708,000	-	2,610,000
Public schools - capital outlay	-	-	-	100,000
Community colleges	8,000	8,000	-	8,000
Total education	<u>2,716,000</u>	<u>2,716,000</u>	-	<u>2,718,000</u>
Debt Service:				
Principal retirement	-	-	-	1,757
Interest and fees	-	-	-	66
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,823</u>
Total expenditures	<u>10,162,805</u>	<u>9,394,304</u>	<u>768,501</u>	<u>9,083,106</u>
Revenues over (under) expenditures	<u>868,701</u>	<u>1,566,032</u>	<u>697,331</u>	<u>1,846,357</u>
Other Financing Sources (Uses):				
Transfers from other funds	18,320	18,320	-	169,016
Transfers to other funds	(1,176,471)	(1,176,468)	3	(1,902,053)
Appropriated fund balance	<u>289,450</u>	<u>-</u>	<u>(289,450)</u>	<u>-</u>
Total other financing sources (uses)	<u>(868,701)</u>	<u>(1,158,148)</u>	<u>(289,447)</u>	<u>(1,733,037)</u>
Net change in fund balance	<u>\$ -</u>	<u>407,884</u>	<u>\$ 407,884</u>	<u>113,320</u>
Fund Balance:				
Beginning of year - July 1		<u>3,260,033</u>		<u>\$ 3,146,713</u>
End of year - June 30		<u>\$ 3,667,917</u>		<u>\$ 3,260,033</u>

GATES COUNTY, NORTH CAROLINA

REVALUATION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

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

	<u>2015</u>			<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Expenditures:				
General government	\$ 33,750	\$ -	\$ 33,750	\$ -
Revenues over (under) expenditures	(33,750)	-	33,750	-
Other Financing Sources (Uses):				
Transfers from other funds	33,750	33,750	-	33,750
Net change in fund balance	<u>\$ -</u>	33,750	<u>\$ 33,750</u>	33,750
Fund Balance:				
Beginning of year - July 1		<u>173,801</u>		<u>140,051</u>
End of year - June 30		<u>\$ 207,551</u>		<u>\$ 173,801</u>

GATES COUNTY, NORTH CAROLINA

USDA LOAN RESERVE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

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

	<u>2015</u>			<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Other Financing Sources (Uses):				
Transfers to other funds	\$ (18,320)	\$ (18,320)	\$ -	\$ (18,320)
Appropriated fund balance	<u>18,320</u>	<u>-</u>	<u>(18,320)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(18,320)</u>	<u>\$ (18,320)</u>	<u>(18,320)</u>
Fund Balance:				
Beginning of year - July 1		<u>34,545</u>		<u>52,865</u>
End of year - June 30		<u>\$ 16,225</u>		<u>\$ 34,545</u>

GATES COUNTY, NORTH CAROLINA

HOMELAND SECURITY GRANT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental	<u>\$ 506,816</u>	<u>\$ 259,142</u>	<u>\$ 242,829</u>	<u>\$ 501,971</u>
Expenditures:				
Public safety	<u>506,816</u>	<u>259,142</u>	<u>228,705</u>	<u>487,847</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,124</u></u>	<u><u>\$ 14,124</u></u>

GATES COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total
Assets:			
Cash and cash equivalents	\$ 199,033	\$ 153,637	\$ 352,670
Accounts receivable, net	105,088	23	105,111
Due from other governments	266	-	266
Total assets	<u>\$ 304,387</u>	<u>\$ 153,660</u>	<u>\$ 458,047</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 82,358	\$ 165	\$ 82,523
Due to other funds	<u>76,897</u>	<u>-</u>	<u>76,897</u>
Total liabilities	<u>159,255</u>	<u>165</u>	<u>159,420</u>
Fund Balances:			
Stabilization for State statute	105,354	23	105,377
Restricted, all other	133,088	-	133,088
Committed	-	153,472	153,472
Unassigned	<u>(93,310)</u>	<u>-</u>	<u>(93,310)</u>
Total fund balances	<u>145,132</u>	<u>153,495</u>	<u>298,627</u>
Total liabilities and fund balances	<u>\$ 304,387</u>	<u>\$ 153,660</u>	<u>\$ 458,047</u>

GATES COUNTY, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2015**

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total
Revenues:			
Restricted intergovernmental revenues	\$ 370,745	\$ -	\$ 370,745
Other taxes and licenses	367,465	-	367,465
Investment earnings	888	-	888
Total revenues	<u>739,098</u>	<u>-</u>	<u>739,098</u>
Expenditures:			
Current:			
General government	-	158,618	158,618
Public safety	710,255	-	710,255
Economic and physical development	145,163	-	145,163
Total expenditures	<u>855,418</u>	<u>158,618</u>	<u>1,014,036</u>
Revenues over (under) expenditures	<u>(116,320)</u>	<u>(158,618)</u>	<u>(274,938)</u>
Other Financing Sources (Uses):			
Transfers from other funds	190,761	155,000	345,761
Transfers to other funds	(190,761)	-	(190,761)
Total other financing sources (uses)	<u>-</u>	<u>155,000</u>	<u>155,000</u>
Net change in fund balances	(116,320)	(3,618)	(119,938)
Fund Balances:			
Beginning of year - July 1	<u>261,452</u>	<u>157,113</u>	<u>418,565</u>
End of year - June 30	<u>\$ 145,132</u>	<u>\$ 153,495</u>	<u>\$ 298,627</u>

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GATES COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	Emergency Telephone System Fund	Fire Protection Fund	CDBG Scattered Site Grant Project
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 134,923	\$ 10,096	\$ -
Accounts receivable, net	10,371	-	-
Due from other governments	<u>26</u>	<u>-</u>	<u>240</u>
Total assets	<u>\$ 145,320</u>	<u>\$ 10,096</u>	<u>\$ 240</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,835	\$ 10,148	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>240</u>
Total liabilities	<u>1,835</u>	<u>10,148</u>	<u>240</u>
Fund Balances:			
Stabilization for State statute	10,397	-	240
Restricted, all other	133,088	-	-
Unassigned	<u>-</u>	<u>(52)</u>	<u>(240)</u>
Total fund balances	<u>143,485</u>	<u>(52)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 145,320</u>	<u>\$ 10,096</u>	<u>\$ 240</u>

GATES COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2015

	Hazard Mitigation Grant	Emergency Communications Enhancement Grant	Total
Assets:			
Cash and cash equivalents	\$ -	\$ 54,014	\$ 199,033
Accounts receivable, net	76,657	18,060	105,088
Due from other governments	-	-	266
	<u>-</u>	<u>-</u>	<u>266</u>
Total assets	<u>\$ 76,657</u>	<u>\$ 72,074</u>	<u>\$ 304,387</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 70,375	\$ 82,358
Due to other funds	76,657	-	76,897
	<u>76,657</u>	<u>-</u>	<u>76,897</u>
Total liabilities	<u>76,657</u>	<u>70,375</u>	<u>159,255</u>
Fund Balances:			
Stabilization for State statute	76,657	18,060	105,354
Restricted, all other	-	-	133,088
Unassigned	(76,657)	(16,361)	(93,310)
Total fund balances	<u>-</u>	<u>1,699</u>	<u>145,132</u>
Total liabilities and fund balances	<u>\$ 76,657</u>	<u>\$ 72,074</u>	<u>\$ 304,387</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, 2015**

	Emergency Telephone System Fund	Fire Protection Fund	CDBG Scattered Site Grant Project
Revenues:			
Restricted intergovernmental	\$ -	\$ -	\$ 145,088
Other taxes and licenses	124,449	243,016	-
Investment earnings	<u>888</u>	<u>-</u>	<u>-</u>
Total revenues	<u>125,337</u>	<u>243,016</u>	<u>145,088</u>
Expenditures:			
Current:			
Public safety	79,252	243,068	-
Economic development	<u>-</u>	<u>-</u>	<u>145,163</u>
Total expenditures	<u>79,252</u>	<u>243,068</u>	<u>145,163</u>
Revenues over (under) expenditures	<u>46,085</u>	<u>(52)</u>	<u>(75)</u>
Other Financing Sources (Uses):			
Transfers from other funds		-	-
Transfers to other funds	<u>(190,761)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(190,761)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(144,676)	(52)	(75)
Fund Balances:			
Beginning of year - July 1	<u>288,161</u>	<u>-</u>	<u>75</u>
End of year - June 30	<u>\$ 143,485</u>	<u>\$ (52)</u>	<u>\$ -</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, 2015**

	Hazard Mitigation Grant	Emergency Communications Enhancement Grant	Total
Revenues:			
Restricted intergovernmental	\$ 76,657	\$ 149,000	\$ 370,745
Other taxes and licenses	-	-	367,465
Investment earnings	-	-	888
Total revenues	<u>76,657</u>	<u>149,000</u>	<u>739,098</u>
Expenditures:			
Current:			
Public safety	49,873	338,062	710,255
Economic development	-	-	145,163
Total expenditures	<u>49,873</u>	<u>338,062</u>	<u>855,418</u>
Revenues over (under) expenditures	<u>26,784</u>	<u>(189,062)</u>	<u>(116,320)</u>
Other Financing Sources (Uses):			
Transfers from other funds	-	190,761	190,761
Transfers to other funds	-	-	(190,761)
Total other financing sources (uses)	<u>-</u>	<u>190,761</u>	<u>-</u>
Net change in fund balances	26,784	1,699	(116,320)
Fund Balances:			
Beginning of year - July 1	<u>(26,784)</u>	<u>-</u>	<u>261,452</u>
End of year - June 30	<u>\$ -</u>	<u>\$ 1,699</u>	<u>\$ 145,132</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, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Other taxes and licenses	\$ 124,449	\$ 124,449	\$ -	\$ 118,395
Investment earnings	-	888	888	824
Total revenues	124,449	125,337	888	119,219
Expenditures:				
Public safety	124,449	79,252	45,197	106,543
Revenues over (under) expenditures	-	46,085	46,085	12,676
Other Financing Sources (Uses):				
Transfer (to) from other funds	(250,000)	(190,761)	59,239	-
Appropriated fund balance	250,000	-	(250,000)	-
Total other financing sources (uses)	-	(190,761)	(190,761)	-
Net change in fund balance	\$ -	(144,676)	\$ (144,676)	12,676
Fund Balance:				
Beginning of year - July 1		288,161		275,485
End of year - June 30		\$ 143,485		\$ 288,161

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, 2015

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

	<u>2015</u>			<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Fire protection fees	\$ 260,000	\$ 243,016	\$ (16,984)	\$ 245,447
Expenditures:				
Volunteer fire department	260,000	243,068	16,932	245,447
Net change in fund balance	\$ -	(52)	\$ (52)	-
Fund Balance:				
Beginning of year - July 1		-		-
End of year - June 30		\$ (52)		\$ -

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, 2015**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental CDBG #11-C-2312	\$ 400,000	\$ 237,535	\$ 145,088	\$ 382,623
Expenditures:				
Economic and physical development				
Administration	40,000	32,503	3,018	35,521
Clearance	37,500	37,387	-	37,387
Rehabilitation	500	21,071	3,679	24,750
Relocation	322,000	146,499	138,466	284,965
Total expenditures	<u>400,000</u>	<u>237,460</u>	<u>145,163</u>	<u>382,623</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 75</u>	<u>\$ (75)</u>	<u>\$ -</u>

GATES COUNTY, NORTH CAROLINA

HAZARD MITIGATION GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

		<u>Actual</u>		
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 80,000	\$ -	\$ 76,657	\$ 76,657
Expenditures:				
Public safety	80,000	26,784	49,873	76,657
Net change in fund balance	<u>\$ -</u>	<u>\$ (26,784)</u>	<u>\$ 26,784</u>	<u>\$ -</u>

GATES COUNTY, NORTH CAROLINA

EMERGENCY COMMUNICATIONS ENHANCEMENT GRANT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 149,000	\$ -	\$ 149,000	\$ 149,000
Expenditures:				
Enhancement costs	399,000	-	338,062	338,062
Revenues over (under) expenditures	(250,000)	-	(189,062)	(189,062)
Other Financing Sources (Uses):				
Transfers from other funds	250,000	-	190,761	190,761
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,699</u>	<u>\$ 1,699</u>

GATES COUNTY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	Old Courthouse Restoration Project
	<u> </u>
Assets:	
Cash and cash equivalents	\$ 153,637
Receivables, net	<u>23</u>
Total assets	<u>\$ 153,660</u>
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable and accrued liabilities	<u>\$ 165</u>
Fund Balances:	
Stabilization for State statute	23
Committed	<u>153,472</u>
Total fund balances	<u>153,495</u>
Total liabilities and fund balances	<u>\$ 153,660</u>

GATES COUNTY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECTS FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Old Courthouse Restoration Project</u>
Expenditures:	
General government	\$ 158,618
Other Financing Sources (Uses):	
Transfers from other funds	<u>155,000</u>
Net change in fund balance	(3,618)
Fund Balances:	
Beginning of year - July 1	<u>157,113</u>
End of year - June 30	<u><u>\$ 153,495</u></u>

GATES COUNTY, NORTH CAROLINA

**OLD COURTHOUSE RESTORATION PROJECT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Miscellaneous-donations	\$ 250,000	\$ -	\$ -	\$ -
Expenditures:				
Renovation costs	655,000	192,887	158,618	351,505
Revenues over (under) expenditures	(405,000)	(192,887)	(158,618)	(351,505)
Other Financing Sources (Uses):				
Transfers from other funds	405,000	350,000	155,000	505,000
Net change in fund balance	<u>\$ -</u>	<u>\$ 157,113</u>	(3,618)	<u>\$ 153,495</u>
Fund Balance:				
Beginning of year - July 1			<u>157,113</u>	
End of year - June 30			<u>\$ 153,495</u>	

GATES COUNTY, NORTH CAROLINA

**DEBT SERVICE FUND - MAJOR FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Expenditures:			
Debt service:			
Principal	\$ 835,734	\$ 835,733	\$ 1
Interest	<u>151,987</u>	<u>151,985</u>	<u>2</u>
Total expenditures	<u>987,721</u>	<u>987,718</u>	<u>3</u>
Revenues over (under) expenditures	(987,721)	(987,718)	3
Other Financing Sources (Uses):			
Transfers from other funds	<u>987,721</u>	<u>987,718</u>	<u>(3)</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance:			
Beginning of year - July 1		<u>-</u>	
End of year - June 30		<u><u>\$ -</u></u>	

GATES COUNTY, NORTH CAROLINA

LANDFILL FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2015

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

	2015			2014
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services:				
Solid waste charges	\$ 750,000	\$ 759,845	\$ 9,845	\$ 719,926
Miscellaneous	2,000	38,279	36,279	5,872
Total operating revenues	752,000	798,124	46,124	725,798
Non-operating revenues:				
Investment earnings	-	583	583	725
White goods	5,000	5,897	897	2,783
Scrap tire	40,000	32,237	(7,763)	25,775
Solid waste disposal tax	5,000	11,134	6,134	6,630
Total non-operating revenues	50,000	49,851	(149)	35,913
Total revenues	802,000	847,975	45,975	761,711
Expenditures:				
Landfill operations:				
Operating expenditures	802,000	866,537	(64,537)	828,215
Capital outlay	-	-	-	16,492
Total expenditures	802,000	866,537	(64,537)	844,707
Revenues over (under) expenditures	\$ -	(18,562)	\$ (18,562)	\$ (82,996)

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

Reconciling items:

Depreciation expense (2,665)Change in net position \$ (21,227)

GATES COUNTY, NORTH CAROLINA

WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
Revenues:				
Operating revenues:				
Water sales	\$ 1,142,500	\$ 1,099,659	\$ (42,841)	\$ 1,050,260
Water taps and connection fees	15,000	17,750	2,750	13,250
Miscellaneous	4,700	8,971	4,271	3,582
Total operating revenues	<u>1,162,200</u>	<u>1,126,380</u>	<u>(35,820)</u>	<u>1,067,092</u>
Non-operating revenues:				
Sale of equipment	-	-	-	-
Investment earnings	5,000	5,880	880	5,272
Total non-operating revenues	<u>5,000</u>	<u>5,880</u>	<u>880</u>	<u>5,272</u>
Total revenues	<u>1,167,200</u>	<u>1,132,260</u>	<u>(34,940)</u>	<u>1,072,364</u>
Expenditures:				
Water and sewer operations:				
Salaries and benefits	280,039	248,849	31,190	297,053
Operating expenditures	447,126	183,290	263,836	215,890
Capital outlay	108,200	28,142	80,058	31,835
Reimbursement for General Fund administration	274,532	281,590	(7,058)	178,585
Total operations	<u>1,109,897</u>	<u>741,871</u>	<u>368,026</u>	<u>723,363</u>
Debt service:				
Principal payment	170,950	170,950	-	167,963
Interest and fees	5,353	5,352	1	8,338
Total debt service	<u>176,303</u>	<u>176,302</u>	<u>1</u>	<u>176,301</u>
Total expenditures	<u>1,286,200</u>	<u>918,173</u>	<u>368,027</u>	<u>899,664</u>
Revenues over (under) expenditures	<u>(119,000)</u>	<u>214,087</u>	<u>333,087</u>	<u>172,700</u>

GATES COUNTY, NORTH CAROLINA

WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
Other Financing Sources (Uses):				
Transfers (to) from other funds	-	-	-	(84,320)
Appropriated fund balance	119,000	-	(119,000)	-
Total other financing sources (uses)	119,000	-	(119,000)	(84,320)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 214,087	\$ 214,087	\$ 88,380
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ 214,087		
Reconciling items:				
Capital outlay		28,142		
Debt principal		170,950		
Change in accrued vacation pay		5,152		
Depreciation		(226,546)		
Contributions made to pension plan in current fiscal year		11,163		
Pension expense		(1,188)		
Increase in other post-employment benefits		(17,051)		
Total reconciling items		(29,378)		
Change in net position		\$ 184,709		

GATES COUNTY, NORTH CAROLINA

WASTE WATER TREATMENT FACILITY CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental	\$ 350,000	\$ 350,000	\$ -	\$ 350,000
Expenditures:				
Construction costs	1,470,924	1,139,948	176,153	1,316,101
Revenues over (under) expenditures	(1,120,924)	(789,948)	(176,153)	(966,101)
Other Financing Sources (Uses):				
Transfer in	1,120,924	789,948	-	789,948
Total other financing sources (uses)	1,120,924	789,948	-	789,948
Net change in fund balance	\$ -	\$ -	(176,153)	\$ (176,153)
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			\$ (176,153)	

GATES COUNTY, NORTH CAROLINA

FLEET MANAGEMENT FUND

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES

IN NET POSITION - FINANCIAL PLAN AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

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

	2015			2014
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges	\$ 12,000	\$ 3,973	\$ (8,027)	\$ 8,447
Operating Expenses:				
Fleet maintenance expenses	12,000	1,022	10,978	8,211
Revenues over (under) expenses	\$ -	\$ 2,951	\$ 2,951	\$ 236
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Total revenues		\$ 3,973		\$ 8,447
Total expenses		1,022		8,211
Change in net position		\$ 2,951		\$ 236

GATES COUNTY, NORTH CAROLINA

**AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Social Services:				
Assets:				
Cash and cash equivalents	\$ 452	\$ 21,331	\$ (21,009)	\$ 774
Liabilities:				
Miscellaneous liabilities	\$ 452	\$ 21,331	\$ (21,009)	\$ 774
Fines and Foreitures				
Assets:				
Cash and cash equivalents	\$ -	\$ 95,045	\$ (95,045)	\$ -
Liabilities:				
Intergovernmental payable - State of NC	\$ -	\$ 95,045	\$ (95,045)	\$ -
Drainage District I:				
Assets:				
Receivables	\$ 9	\$ 1,550	\$ (1,550)	\$ 9
Liabilities:				
Miscellaneous	\$ 9	\$ 1,550	\$ (1,550)	\$ 9
Drainage District III:				
Assets:				
Receivables	\$ 33	\$ 2,105	\$ (2,105)	\$ 33
Liabilities:				
Miscellaneous	\$ 33	\$ 2,105	\$ (2,105)	\$ 33
Drainage District IV:				
Assets:				
Receivables	\$ 8	\$ 4,518	\$ (4,518)	\$ 8
Liabilities:				
Miscellaneous	\$ 8	\$ 4,518	\$ (4,518)	\$ 8

GATES COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
Town of Gatesville:				
Assets:				
Receivables	\$ 2,836	\$ 57,570	\$ (57,224)	\$ 3,182
Liabilities:				
Miscellaneous	\$ 2,836	\$ 57,570	\$ (57,224)	\$ 3,182
Totals - All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 452	\$ 116,376	\$ (116,054)	\$ 774
Receivables	2,886	65,744	(65,398)	3,232
Total assets	<u>\$ 3,338</u>	<u>\$ 182,120</u>	<u>\$ (181,452)</u>	<u>\$ 4,006</u>
Liabilities:				
Miscellaneous liabilities	<u>\$ 3,338</u>	<u>\$ 182,119</u>	<u>\$ (181,451)</u>	<u>\$ 4,006</u>

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND
JUNE 30, 2015

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014-2015	\$ -	\$ 6,197,718	\$ 5,974,179	\$ 223,539
2013-2014	247,554	-	170,755	76,799
2012-2013	78,354	-	30,103	48,251
2011-2012	44,397	-	9,280	35,117
2010-2011	32,251	-	6,863	25,388
2009-2010	31,878	-	5,269	26,609
2008-2009	36,995	-	3,770	33,225
2007-2008	32,000	-	2,460	29,540
2006-2007	25,009	-	2,008	23,001
2005-2006	21,902	-	1,217	20,685
	<u>24,622</u>	<u>-</u>	<u>24,622</u>	<u>-</u>
Total	<u>\$ 574,962</u>	<u>\$ 6,197,718</u>	<u>\$ 6,230,526</u>	542,154
Less: Allowance for uncollectible accounts				<u>(259,228)</u>
Ad valorem taxes receivable - net:				
General Fund				<u>\$ 282,926</u>
Reconciliation with Revenues:				
Taxes - ad valorem - General Fund				\$ 6,303,949
Reconciling items:				
Penalties and interest				(64,432)
Refunds and other adjustments				(3,064)
Miscellaneous adjustments				(30,549)
Amounts written off per Statute of Limitations				<u>24,622</u>
Total collections and credits				<u>\$ 6,230,526</u>

GATES COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2015

	County-Wide			Total Levy	
	Property	Rate	Amount of Levy	Property	Registered
	Valuation			Excluding Registered Motor Vehicles	Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 938,051,719	\$ 0.640	\$ 6,003,531	\$ 5,418,883	\$ 584,648
Motor vehicles taxed at prior year's rate	-	0.640	-	-	-
Total	<u>938,051,719</u>	0.640	<u>6,003,531</u>	<u>5,418,883</u>	<u>584,648</u>
Discoveries:					
Current year taxes	30,820,469		197,251	197,251	-
Abatements	<u>(478,750)</u>		<u>(3,064)</u>	<u>(3,064)</u>	<u>-</u>
Total property valuation	<u>\$ 968,393,438</u>				
Net Levy			6,197,718	5,613,070	584,648
Uncollected taxes at June 30, 2015			<u>(223,539)</u>	<u>(223,378)</u>	<u>(161)</u>
Current Year's Taxes Collected			<u>\$ 5,974,179</u>	<u>\$ 5,389,692</u>	<u>\$ 584,487</u>
Current Levy Collection Percentage			<u>96.39%</u>	<u>96.02%</u>	<u>99.97%</u>

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

Independent Auditor's Report

To the Board of Commissioners
Gates County
Gatesville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the 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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 20, 2015. The financial statements of Gates County ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings, Responses, and Questioned Costs, as item 2015-002, to be a material weakness.

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13 South Center Street ♦ Taylorsville, North Carolina 28681 ♦ Phone 828-632-9025 ♦ Fax 828-632-9085
Toll Free Both Locations 1-800-948-0585 ♦ Website: www.martinstarnes.com

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings, Responses, and Questioned Costs, as item 2015-001, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gates County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2015-002, which is required to be reported under *Government Auditing Standards*.

Gates County's Responses to Findings

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

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 20, 2015

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

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

Independent Auditor's Report

To the Board of Commissioners
Gates County
Gatesville, North Carolina

Report On Compliance for Each Major Federal Program

We have audited the compliance of Gates County, North Carolina with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Gates County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion On Each Major Federal Program

In our opinion, Gates County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report On Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2015-003 to be a material weakness.

The County's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 20, 2015

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

Independent Auditor's Report

To the Board of Commissioners
Gates County
Gatesville, North Carolina

Report On Compliance for Each Major State Program

We have audited the compliance of Gates County, North Carolina with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Gates County's major State programs for the year ended June 30, 2015. Gates County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion On Each Major State Program

In our opinion, Gates County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2015.

Report On Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2015-003 to be a material weakness.

The County's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

Hickory, North Carolina

November 20, 2015

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	<u> X </u> Yes <u> </u> No
• Significant deficiencies identified not considered to be material weaknesses?	<u> X </u> Yes <u> </u> None reported
Non-compliance material to financial statements noted?	<u> X </u> Yes <u> </u> No

Federal Awards

Internal control over major federal programs:	
• Material weaknesses identified?	<u> X </u> Yes <u> </u> No
• Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes <u> X </u> None reported

Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget, Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> , Section .510(a)?	
	<u> X </u> Yes <u> </u> No

Identification of major federal programs:

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

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$310,480</u>
Auditee qualified as low-risk auditee?	<u> </u> Yes <u> X </u> No

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

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

2015-001

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

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

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

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

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

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

Contact Person: Sandy Pittman, Finance Director

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

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

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

2015-002

Criteria: Management should have a system in place to reduce the likelihood that violations of General Statutes occur and go undetected.

Condition: In the current year, there were violations of the General Statutes regarding expenditures exceeding appropriations.

Context: While reviewing financial statements and budget reports, we noted the condition described above.

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

Cause: There was a lack of monitoring over budgetary compliance to prevent the violation.

Recommendation: Management should review activity throughout the year and ensure necessary budget amendments and transfers are made to ensure expenditures do not exceed appropriations.

Contact Person: Sandy Pittman, Finance Director

Management's Response: Management concurs with the finding. Care will be taken to ensure that funds are monitored and necessary transfers made to avoid exceeding appropriations in the future.

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

3. Federal Award Findings, Responses, and Questioned Costs

Finding 2015-003

Criteria: The County should have an adequate system of internal control procedures in place that management properly reviews, documents, and assesses the eligibility of individuals to ensure the accuracy of the benefits being provided.

Condition: The Division of Social Services did not have adequate review controls in place to ensure the proper eligibility determinations were being met.

Context: While performing testing of internal control over compliance related to the Division of Social Services, we noted the above condition.

Effect: Participant files could contain incorrect documentation where funding could be provided to individuals who are truly not eligible or not provided to truly eligible individuals.

Cause: Lack of evidence that quality review procedures have taken place by management.

Questioned Costs: The finding represents an internal control issue; therefore, no questioned costs are applicable.

Recommendation: Management should document proper review procedures over the Division of Social Services eligibility determination to ensure that records contain current, reliable and appropriate documentation in each participant file.

Contact Person: Antoinette Holley, Director of Social Services

<u>Federal Grantor</u>	<u>Pass-Through Agency</u>	<u>Program Name</u>	<u>CFDA #</u>
U.S. Health and Human Services	N.C. Health and Human Services	Medicaid Cluster	93.775, 93.777, 93.778

Management Response and Plan of Corrective Action: Management concurs and will ensure proper documentation of review procedures over eligibility determination in the next fiscal year.

4. State Award Findings, Responses, and Questioned Costs

See 2015-003.

GATES COUNTY, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

Finding: 2014-001

Status: Repeated as 2015-001

Finding: 2014-002

Status: Repeated as 2015-002

Finding: 2014-003

Status: Corrected

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Grantor / Pass-through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
Federal Awards:			
U.S. Department of Agriculture			
Food and Nutrition Service:			
Passed-through N.C. Department of Health & Human Services:			
Division of Social Services:			
Administration:			
Supplemental Nutrition Assist. Program Cluster			
State Administrative Matching Grants for the Supplemental			
Nutritional Assistance Program			
10.561	164,641	20	
Total Supplemental Nutrition Assist. Program Cluster			
	164,641	20	
Passed-through the NC Department of Health and Human Services:			
Division of Public Health:			
Direct Benefit Payments:			
Special Supplemental Nutrition Program for Women, Infants,			
& Children - DirectBenefit Payments			
10.557	133,127	-	
U.S. Department of Transportation			
Federal Transit Administration:			
Passed through the N.C. Department of Transportation:			
Formula Grants for Rural Areas			
20.509	271,740	26,133	
Transit Services Programs Cluster			
Enhanced Mobility for Seniors and Individuals with Disabilities			
20.513	49,779	-	
Job Access and Reverse Commute Program			
20.516	29,494	-	
Total U.S. Department of Transportation			
	351,013	26,133	
U.S. Department of Homeland Security:			
Passed-through NC Department of Crime Control and Public Safety:			
Homeland Security Grant			
97.067	230,856	-	
Hazard Mitigation Grant Program			
97.039	49,873	-	
Emergency Management Performance Grant			
97.042	38,220	-	
Total U.S. Department of Homeland Security			
	318,949	-	
U.S. Department of Health and Human Services			
Administration for Children and Families:			
Passed-through the NC Dept. of Health and Human Services:			
Division of Social Services:			
<u>Foster Care and Adoption Cluster: (Note 3)</u>			
Title IV-E Foster Care- Administration			
93.658	10,386	6,790	
Adoption Assistance-Direct Benefit			
93.659	4,592	1,190	
Total Foster Care and Adoption Cluster			
	14,978	7,980	

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Grantor / Pass-through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
<u>Temporary Assistance for Needy Families Cluster:</u>			
Temporary Assistance for Needy Families (TANF)/Work First	93.558	95,569	-
TANF/ Work First- Direct Benefit Payments	93.558	73,341	-
Total TANF Cluster		<u>168,910</u>	<u>-</u>
NC Child Support Enforcement Section	93.563	117,976	-
Low-Income Home Energy Assistance Block Grant:			
Energy Assistance Payments- Direct Benefit Payments	93.568	112,962	-
LINKS			
Child Welfare Services- State Grants	93.674	239	70
Family Preservation	93.556	32	-
-Permanency Planning-Families for Kids	93.645	901	-
SSBG- Other Service and Training	93.667	89,757	2,779
Division of Child Development:			
Subsidized Child Care (Note 3)			
<u>Child Care Development Fund Cluster:</u>			
Division of Social Services:			
Child Care Development Fund- Administration	93.596	60,969	-
Division of Child Development:			
Child Care and Development Fund- Discretionary	93.575	143,694	-
Child Care and Development Fund- Mandatory	93.596	51,439	-
Child Care and Development Fund- Match	93.596	16,423	-
Total Child Care Fund Cluster		<u>272,525</u>	<u>-</u>
Temporary Assistance for Needy Families	93.558	41,473	-
Foster Care Title IV-E	93.658	3,360	1,740
State Appropriations		-	10,510
TANF - MOE		-	2,132
Total Subsidized Childcare Cluster		<u>317,358</u>	<u>14,382</u>
Centers for Medicare and Medicaid Services			
Passed-through the N.C. Department of Health and Human Services:			
Division of Medical Assistance:			
Direct Benefit Payments:			
Medicaid Cluster	93.778	7,796,493	4,319,942
Division of Social Services:			
Administration:			
Medical Assistance Program	93.778	400,666	-
Total Medicaid Cluster		<u>8,197,159</u>	<u>4,319,942</u>
Direct Benefit Payment:			
NC Health Choice	93.767	200,392	63,108
Administration:			
State Children's Insurance Program- N.C. Health Choice	93.767	15,782	334

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Grantor / Pass-through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
U.S. Department of Housing and Urban Development:			
Passed-through N.C. Department of Commerce:			
CDBG- State's program and Non-Entitlement Grants in Hawaii			
Community Development Block Grant			
Small Cities Program-Scattered Site	14.228	<u>145,163</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development		<u>145,163</u>	<u>-</u>
Total Federal Awards		<u>\$10,349,339</u>	<u>\$ 4,434,748</u>
State Awards:			
N.C. 911 Board			
Gates County E911 PSAP Consolidation			149,000
N.C. Department of Public Safety:			
Division of Emergen:			
Seniors' Health Insurance Information Program (SHIIP)			
Home and Community Care Block Grant			
Local Emergency Planning Committee			1,104
N.C. Department of Health and Human Services:			
Division of Aging and Adult Services:			
Seniors' Health Insurance Information Program (SHIIP)			4,124
Division of Social Services:			
SC/SA Domiciliary Care			87,168
ST Child Welfare/CPS/CS LD			523
Total Division of Social Services			<u>87,691</u>
Total N.C. Department of Health and Human Services			<u>91,815</u>
N.C. Department of Juvenile Justice and Delinquency Prevention:			
Juvenile Crime Prevention Program			32,331
CBA Genesis			<u>28,968</u>
Total N.C. Department of Juvenile Justice and Delinquency Prevention			<u>61,299</u>
N.C. Department of Public Instruction:			
Public School Capital Building Fund - Lottery Proceeds			112,301
N.C Department of Environment & Natural Resources:			
Soil & Water Conservation			20,635

GATES COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
N.C. Department of Transportation:			
Rural Operating Assistance Program (ROAP)			
ROAP Elderly and Disabled Transportation Assistance Program			44,209
ROAP Rural General Public Program			42,195
ROAP Work First Transitional- Employment			<u>6,767</u>
Total ROAP			<u>93,171</u>
Total State Awards			<u>529,325</u>
Total Federal and State Awards		<u>\$10,349,339</u>	<u>\$ 4,964,073</u>

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Gates County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2015. The information in this SEFSA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of Gates County, it is not intended to and does not present the financial position, changes in net position or cash flows of Gates County.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments or cost principles contained in the Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Pass-through entity identifying numbers are presented where available.

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

 Subsidized Child Care and Foster Care and Adoption