

**GATES COUNTY  
NORTH CAROLINA**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

**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, 2013**

**FINANCE DIRECTOR: SANDY PITTMAN**



# GATES COUNTY, NORTH CAROLINA

## AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	List of Principal Officials	i
	<b>Financial Section:</b>	
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-13
	<b>Basic Financial Statements - Overview</b>	
	<b>Government-Wide Financial Statements:</b>	
A	Statement of Net Position	14
B	Statement of Activities	15-16
	<b>Fund Financial Statements:</b>	
C	Balance Sheet - Governmental Funds	17
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	19
F	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	20
G	Statement of Net Position - Proprietary Funds	21
H	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	22
I	Statement of Cash Flows - Proprietary Funds	23
J	Statement of Fiduciary Net Position - Fiduciary Fund	24
	Notes to the Financial Statements	25-58

# GATES COUNTY, NORTH CAROLINA

## AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Required Supplemental Financial Data:</b>	
A-1	Other Post-Employment Benefits - Retiree Health Plan - Required Supplementary Information	59
A-2	Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information	60
	<b>Supplementary Information:</b>	
	<b>General Fund:</b>	
B-1	Statement of Revenues, Expenditures, and Changes in Fund Balances - Actual - General Fund Consolidated	61
B-2	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	62-67
	<b>Revaluation Fund:</b>	
B-3	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	68
	<b>USDA Loan Reserve Fund:</b>	
B-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	69
	<b>Library Capital Project Fund</b>	
B-5	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	70
	<b>Special Revenue Funds:</b>	
C-1	Combining Balance Sheet - Nonmajor Special Revenue Funds	71-72
C-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	73-74
C-3	<b>Emergency Telephone System Fund:</b> Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	75

# GATES COUNTY, NORTH CAROLINA

## AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Special Revenue Funds (continued):</b>	
C-4	<b>Fire Protection Fund:</b> Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	76
C-5	<b>CDBG Scattered Site Grant Project:</b> Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	77
C-6	<b>Homeland Security Grant:</b> Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	78
C-7	<b>CDBG Capacity Building Grant:</b> Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	79
C-8	<b>DSS Urgent Home Repair Grant:</b> Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	80
	<b>Enterprise Funds:</b>	
D-1	<b>Landfill Fund:</b> Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	81
D-2	<b>Water Fund:</b> Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	82-83
D-3	<b>Waste Water Treatment Facility Capital Project Fund:</b> Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	84
E-1	<b>Agency Funds:</b> Combining Schedule of Changes in Assets and Liabilities	85-86

# GATES COUNTY, NORTH CAROLINA

## AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	<b>Additional Financial Data:</b>	
F-1	Schedule of Ad Valorem Taxes Receivable - General Fund	87
F-2	Analysis of Current Tax Levy - County-Wide Levy	88
	<b>Compliance Section:</b>	
	Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	89-90
	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	91-92
	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	93-94
	Schedule of Findings, Responses, and Questioned Costs	95-97
	Summary Schedule of Prior Year's Audit Findings	98
	Schedule of Expenditures of Federal and State Awards	99-102

**GATES COUNTY, NORTH CAROLINA**

**LIST OF PRINCIPAL OFFICIALS**

**JUNE 30, 2013**

**Board of Commissioners**

Henry L. Jordan, Chairman  
Jack Owens, Vice-Chairman  
Ken Jernigan, Commissioner  
John Hora, Commissioner  
Linda Hofler, Commissioner

**Principal Officials**

Jon M. Mendenhall, County Manager  
Sandy Pittman, Finance Officer

*This page left blank intentionally.*

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

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

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Gates County  
Gatesville, North Carolina

### **Report On the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gates County, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gates County, North Carolina, as of June 30, 2013, 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 and the Law Enforcement Officers' and the Other Post-Employment Benefits Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gates County, North Carolina'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 October 31, 2013, 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  
October 31, 2013

*This page left blank intentionally.*

## Management's Discussion and Analysis

As management of Gates County, we offer readers of Gates County's financial statements this narrative overview and analysis of the financial activities of Gates County for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

### Financial Highlights

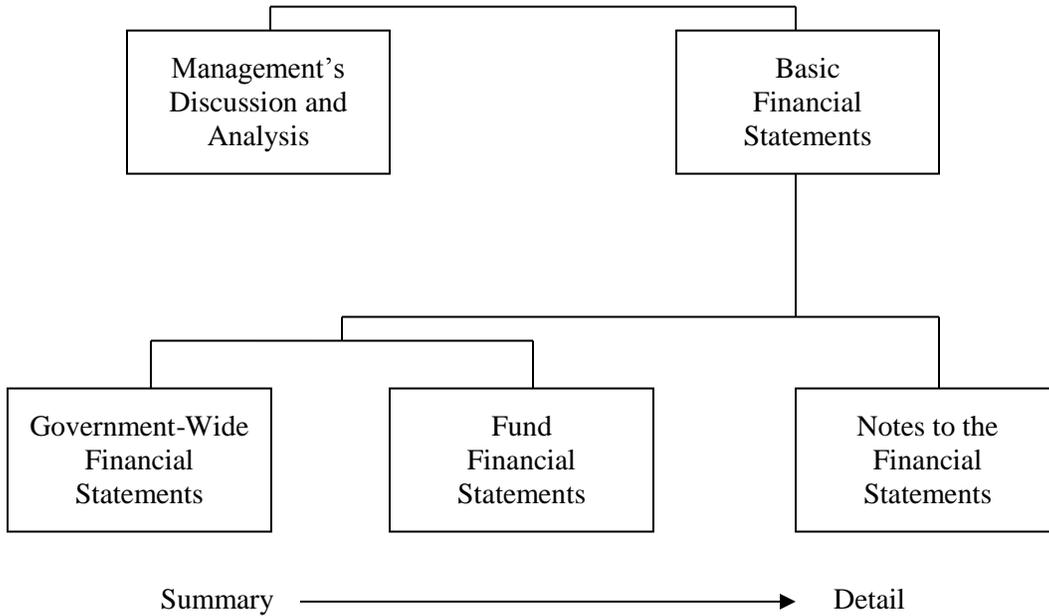
- The assets of Gates County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,923,217 (*net position*).
- The County's total net position increased by \$1,022,698.
- As of the close of the current fiscal year, Gates County's total governmental funds reported combined ending fund balances of \$3,803,428, a decrease of \$1,469,255 from 2012. The decrease was due to the continued construction of the Library Capital Project.
- At the end of the current fiscal year, total fund balance for the General Fund was \$3,339,629, a decrease of \$239,765 from 2012; \$199,536 of this fund balance amount represents fund balance for the Revaluation and USDA loan reserve funds that are consolidated into the General Fund as part of GASB 54 reporting requirements.

### Overview of the Financial Statements

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

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

## **Government-Wide Financial Statements**

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

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

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

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

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

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

## **Fund Financial Statements**

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

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

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

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

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

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

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

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

## Government-Wide Financial Analysis

### Gates County's Net Position

Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Assets:</b>						
Current and other assets	\$ 4,422,494	\$ 5,942,775	\$ 2,429,990	\$ 2,659,793	\$ 6,852,484	\$ 8,602,568
Capital assets	<u>5,383,867</u>	<u>4,228,045</u>	<u>5,524,413</u>	<u>5,324,528</u>	<u>10,908,280</u>	<u>9,552,573</u>
Total assets	<u>9,806,361</u>	<u>10,170,820</u>	<u>7,954,403</u>	<u>7,984,321</u>	<u>17,760,764</u>	<u>18,155,141</u>
<b>Liabilities:</b>						
Current liabilities	1,413,688	1,654,439	346,635	450,299	1,760,323	2,104,738
Other liabilities	<u>7,552,509</u>	<u>8,481,360</u>	<u>484,995</u>	<u>628,340</u>	<u>8,037,504</u>	<u>9,109,700</u>
Total liabilities	<u>8,966,197</u>	<u>10,135,799</u>	<u>831,630</u>	<u>1,078,639</u>	<u>9,797,827</u>	<u>11,214,438</u>
<b>Deferred Inflows:</b>						
Prepaid taxes	<u>39,720</u>	<u>40,184</u>	<u>-</u>	<u>-</u>	<u>39,720</u>	<u>40,184</u>
Total deferred inflows	<u>39,720</u>	<u>40,184</u>	<u>-</u>	<u>-</u>	<u>39,720</u>	<u>40,184</u>
<b>Net Position:</b>						
Net investment in capital assets	3,028,150	967,729	5,011,511	4,646,596	8,039,661	5,614,325
Restricted:						
Stabilization for State statute	774,524	657,227	-	-	774,524	657,227
All other	544,067	1,766,315	-	-	544,067	1,766,315
Unrestricted	<u>(3,546,297)</u>	<u>(3,396,434)</u>	<u>2,111,262</u>	<u>2,259,086</u>	<u>(1,435,035)</u>	<u>(1,137,348)</u>
Total net position	<u>\$ 800,444</u>	<u>\$ (5,163)</u>	<u>\$ 7,122,773</u>	<u>\$ 6,905,682</u>	<u>\$ 7,923,217</u>	<u>\$ 6,900,519</u>

As noted earlier, net position, over time, may serve as a useful indicator of a government's financial position. For Gates County, assets exceeded liabilities and deferred inflows of resources by \$7,923,217 at the close of the most recent fiscal year. The County's net position increased by \$1,022,698 for the fiscal year ended June 30, 2013.

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 \$8,039,661, which represents over 100% 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 \$(1,430,951) for the government as a whole. It should be noted that the County is carrying roughly \$4.2 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**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,013,327	\$ 2,051,515	\$ 1,600,890	\$ 1,709,121	\$ 3,614,217	\$ 3,760,636
Operating grants and contributions	503,855	327,995	-	-	503,855	327,995
Capital grants and contributions	473,605	460,318	124,593	240,563	598,198	700,881
General revenues:						
Property taxes	6,076,571	6,020,634	-	-	6,076,571	6,020,634
Local option sales tax	1,849,497	1,871,721	-	-	1,849,497	1,871,721
Other taxes	436,620	454,161	-	-	436,620	454,161
Investment earnings	10,367	12,707	6,328	6,993	16,695	19,700
Total revenues	11,363,842	11,199,051	1,731,811	1,956,677	13,095,653	13,155,728
<b>Expenses:</b>						
General government	1,541,138	1,509,123	-	-	1,541,138	1,509,123
Public safety	2,175,952	1,864,256	-	-	2,175,952	1,864,256
Economic and physical development	1,146,265	1,196,293	-	-	1,146,265	1,196,293
Human services	2,131,079	2,229,530	-	-	2,131,079	2,229,530
Cultural and recreation	366,593	347,315	-	-	366,593	347,315
Education	2,795,023	2,693,195	-	-	2,795,023	2,693,195
Interest on long-term debt	268,826	308,184	-	-	268,826	308,184
Water	-	-	923,851	917,105	923,851	917,105
Landfill	-	-	724,228	681,830	724,228	681,830
Total expenses	10,424,876	10,147,896	1,648,079	1,598,935	12,072,955	11,746,831
Change in net position before transfers	938,966	1,051,155	83,732	357,742	1,022,698	1,408,897
Transfers	(133,359)	(178,060)	133,359	178,060	-	-
Change in net position after transfer	805,607	873,095	217,091	535,802	1,022,698	1,408,897
<b>Net Position:</b>						
Beginning of year - July 1	(5,163)	(878,258)	6,905,682	6,369,880	6,900,519	5,491,622
End of year - June 30	\$ 800,444	\$ (5,163)	\$ 7,122,773	\$ 6,905,682	\$ 7,923,217	\$ 6,900,519

**Governmental Activities.** Governmental activities increased the County's net position by \$805,607. Key elements of this increase are as follows:

- Increases in local option sales taxes over fiscal year 2012 amounts
- Capital grants and contributions in the current year of roughly \$473,000.

**Business-Type Activities.** Business-type activities increased Gates County's net position by \$217,092. Key elements of this increase are as follows:

- Water Fund reported operating income of \$266,474 in the current year
- Capital grants and contributions received totaled approximately \$125,000.

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

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

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

As of the end of the current fiscal year, Gates County's governmental funds reported combined ending fund balances of \$3,803,428, a decrease of \$1,469,255 in comparison with 2012. This decrease is attributed to the Library Construction Project.

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 \$2,161,863 while total fund balance for the General Fund was \$3,339,629. 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 19.90% of total General Fund expenditures, while total fund balance represents 30.74% of that same amount. Available fund balance, which is total fund balance less non-spendable fund balance less stabilization by State statute amounts, totaled \$2,608,019 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 decreased revenues by approximately \$196,490.

**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, 2013 was \$373,249 and \$1,738,013 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 \$10,908,280 (net of accumulated depreciation) as of June 30, 2013. 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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 362,237	\$ 362,237	\$ 27,476	\$ 27,476	\$ 389,713	\$ 389,713
Construction in progress	1,350,787	87,784	971,311	580,730	2,322,098	668,514
Buildings	4,176,735	4,176,735	-	-	4,176,735	4,176,735
Other improvements	420,006	344,555	-	-	420,006	344,555
Equipment	927,426	927,426	440,289	429,035	1,367,715	1,356,461
Vehicles	992,466	818,836	202,530	175,117	1,194,996	993,953
Plant and systems	-	-	9,140,453	9,134,858	9,140,453	9,134,858
Subtotal	8,229,657	6,717,573	10,782,059	10,347,216	19,011,716	17,064,789
Less accumulated depreciation	<u>(2,845,790)</u>	<u>(2,489,528)</u>	<u>(5,257,646)</u>	<u>(5,022,688)</u>	<u>(8,103,436)</u>	<u>(7,512,216)</u>
Total	<u>\$ 5,383,867</u>	<u>\$ 4,228,045</u>	<u>\$ 5,524,413</u>	<u>\$ 5,324,528</u>	<u>\$10,908,280</u>	<u>\$ 9,552,573</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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Notes payable	\$ 7,001,290	\$ 8,407,842	\$ 512,902	\$ 677,932	\$ 7,514,192	\$ 9,085,774
Compensated absences	233,546	231,460	27,700	26,056	261,246	257,516
LEO	140,923	129,124	-	-	140,923	129,124
OPEB	1,358,154	1,126,533	115,056	95,895	1,473,210	1,222,428
Total	<u>\$ 8,733,913</u>	<u>\$ 9,894,959</u>	<u>\$ 655,658</u>	<u>\$ 799,883</u>	<u>\$ 9,389,571</u>	<u>\$ 10,694,842</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 \$65,727,171.

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 2013 unemployment rate stands at 7.1%.

All of these factors were considered in preparing Gates County's budget for the 2013-2014 fiscal year.

### **Budget Highlights for the Fiscal Year Ending June 30, 2014**

**Governmental Activities.** During FY 2012-2013, the annual property tax base was stable; however, the County in FY 2013-2014 has established a two pronged strategy of continuous improvement and economic development to control the cost of government while growing revenue through property tax base growth. Continuous improvement strategies include the establishment of a fiscal policy, reorganization and consolidation of government functional areas, the establishment of reserve funds for continuous improvement, health insurance, vehicle/equipment assets as well as capital improvements. Economic development strategies include the creation of an Economic Development Commission, a non-profit economic development partnership, marketing, branding, and incentive policies.

**Enterprise Activities.** During FY 2012-2013, the water fund experienced a rate increase. The solid waste fund has seen steady expenditures without the need for a rate increase. In FY 2013-2014 the water fund will grow to become the Water & Sewer Fund with sewer rates being established for the sewer system in the County. Solid Waste will continue to remain steady with no rate increase planned. With all enterprise activities, a renewed focus on administrative cost management as well as operation and maintenance of the respective systems: water, sewer, and solid waste will occur.

### **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, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Gates County ABC Board
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 3,042,692	\$ 2,197,003	\$ 5,239,695	\$ 299,705
Taxes receivable, net	347,062	-	347,062	-
Accounts receivable, net	58,128	202,012	260,140	-
Due from other governments	714,354	10,529	724,883	-
Inventory	-	20,446	20,446	63,456
Prepaid items	-	-	-	1,413
Total current assets	<u>4,162,236</u>	<u>2,429,990</u>	<u>6,592,226</u>	<u>364,574</u>
Non-current assets:				
Restricted assets:				
Cash and cash equivalents, restricted	<u>260,258</u>	<u>-</u>	<u>260,258</u>	<u>-</u>
Total restricted assets	<u>260,258</u>	<u>-</u>	<u>260,258</u>	<u>-</u>
Capital assets:				
Non-depreciable capital assets	1,713,024	998,787	2,711,811	-
Depreciable capital assets, net	<u>3,670,843</u>	<u>4,525,626</u>	<u>8,196,469</u>	<u>334,693</u>
Total capital assets	<u>5,383,867</u>	<u>5,524,413</u>	<u>10,908,280</u>	<u>334,693</u>
Total non-current assets	<u>5,644,125</u>	<u>5,524,413</u>	<u>11,168,538</u>	<u>334,693</u>
Total assets	<u>9,806,361</u>	<u>7,954,403</u>	<u>17,760,764</u>	<u>699,267</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	232,284	175,972	408,256	29,900
Current portion of compensated absences	58,386	2,700	61,086	-
Current portion of long-term liabilities	<u>1,123,018</u>	<u>167,963</u>	<u>1,290,981</u>	<u>-</u>
Total current liabilities	1,413,688	346,635	1,760,323	29,900
Long-term liabilities:				
Due in more than one year	<u>7,552,509</u>	<u>484,995</u>	<u>8,037,504</u>	<u>-</u>
Total liabilities	<u>8,966,197</u>	<u>831,630</u>	<u>9,797,827</u>	<u>29,900</u>
<b>Deferred Inflows of Resources:</b>				
Prepaid taxes	<u>39,720</u>	<u>-</u>	<u>39,720</u>	<u>-</u>
Total deferred inflows of resources	<u>39,720</u>	<u>-</u>	<u>39,720</u>	<u>-</u>
<b>Net Position:</b>				
Net investment in capital assets	3,028,150	5,011,511	8,039,661	334,693
Restricted:				
Stabilization for State statute	774,524	-	774,524	-
All other	544,067	-	544,067	12,924
Capital improvements	-	-	-	219,212
Unrestricted	<u>(3,546,297)</u>	<u>2,111,262</u>	<u>(1,435,035)</u>	<u>102,538</u>
Total net position	<u>\$ 800,444</u>	<u>\$ 7,122,773</u>	<u>\$ 7,923,217</u>	<u>\$ 669,367</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, 2013**

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 1,541,138	\$ 328,882	\$ -	\$ -
Public safety	2,175,952	98,498	162,343	-
Economic and physical development	1,146,265	20,716	111,144	351,124
Human services	2,131,079	1,565,231	227,415	-
Cultural and recreational	366,593	-	2,953	-
Education	2,795,023	-	-	122,481
Interest on long-term debt	268,826	-	-	-
Total governmental activities	<u>10,424,876</u>	<u>2,013,327</u>	<u>503,855</u>	<u>473,605</u>
<b>Business-Type Activities:</b>				
Landfill Fund	724,228	673,892	-	-
Water Fund	923,851	926,998	-	124,593
Total business-type activities	<u>1,648,079</u>	<u>1,600,890</u>	<u>-</u>	<u>124,593</u>
Total primary government	<u>\$ 12,072,955</u>	<u>\$ 3,614,217</u>	<u>\$ 503,855</u>	<u>\$ 598,198</u>
<b>Component Unit:</b>				
ABC Board	<u>\$ 442,895</u>	<u>\$ 433,714</u>	<u>\$ 217,577</u>	<u>\$ -</u>

**General Revenues:**

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Investment earnings, unrestricted

Total general revenues

**Transfers**

Total general revenues and transfers

Change in net position

**Net Position:**

Beginning of year - July 1

End of year - June 30

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

**Exhibit B**

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Gates County ABC Board</b>
\$ (1,212,256)	\$ -	\$ (1,212,256)	
(1,915,111)	-	(1,915,111)	
(663,281)	-	(663,281)	
(338,433)	-	(338,433)	
(363,640)	-	(363,640)	
(2,672,542)	-	(2,672,542)	
(268,826)	-	(268,826)	
<u>(7,434,089)</u>	<u>-</u>	<u>(7,434,089)</u>	
-	(50,336)	(50,336)	
-	127,740	127,740	
-	77,404	77,404	
<u>(7,434,089)</u>	<u>77,404</u>	<u>(7,356,685)</u>	
			<u>\$ 208,396</u>
6,076,571	-	6,076,571	-
1,849,497	-	1,849,497	-
436,620	-	436,620	-
10,367	6,328	16,695	259
<u>8,373,055</u>	<u>6,328</u>	<u>8,379,383</u>	<u>259</u>
<u>(133,359)</u>	<u>133,359</u>	<u>-</u>	<u>-</u>
<u>8,239,696</u>	<u>139,687</u>	<u>8,379,383</u>	<u>259</u>
805,607	217,091	1,022,698	208,655
<u>(5,163)</u>	<u>6,905,682</u>	<u>6,900,519</u>	<u>460,712</u>
<u>\$ 800,444</u>	<u>\$ 7,122,773</u>	<u>\$ 7,923,217</u>	<u>\$ 669,367</u>

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

## GATES COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2013

	<u>General Fund</u>	<u>Library Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,668,725	\$ -	\$ 373,967	\$ 3,042,692
Taxes receivable, net	347,062	-	-	347,062
Accounts receivable, net	17,525	31,434	9,169	58,128
Due from other governments	712,043	-	2,311	714,354
Due from other funds	2,042	-	-	2,042
Cash and cash equivalents, restricted	140,051	120,207	-	260,258
Total assets	<u>\$ 3,887,448</u>	<u>\$ 151,641</u>	<u>\$ 385,447</u>	<u>\$ 4,424,536</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 161,037	\$ 960	\$ 70,287	\$ 232,284
Due to other funds	-	-	2,042	2,042
Total liabilities	<u>161,037</u>	<u>960</u>	<u>72,329</u>	<u>234,326</u>
<b>Deferred Inflows of Resources:</b>				
Property taxes receivable	347,062	-	-	347,062
Prepaid taxes	39,720	-	-	39,720
Total deferred inflows of resources	<u>386,782</u>	<u>-</u>	<u>-</u>	<u>386,782</u>
<b>Fund Balances:</b>				
Restricted:				
Stabilization for State statute	731,610	31,434	11,480	774,524
Restricted, all other	121,140	119,247	303,680	544,067
Committed	23,695	-	-	23,695
Assigned	301,321	-	-	301,321
Unassigned	2,161,863	-	(2,042)	2,159,821
Total fund balances	<u>3,339,629</u>	<u>150,681</u>	<u>313,118</u>	<u>3,803,428</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,887,448</u>	<u>\$ 151,641</u>	<u>\$ 385,447</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.	5,383,867
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net assets in the Statement of Net Position.	347,062
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(8,733,913)</u>
Net position of governmental activities, per Exhibit A	<u>\$ 800,444</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, 2013

	<u>Major</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Library Capital Project Fund</u>	<u>Other Governmental Funds</u>	
<b>Revenues:</b>				
Ad valorem taxes	\$ 6,118,577	\$ -	\$ -	\$ 6,118,577
Local option sales taxes	1,849,497	-	-	1,849,497
Other taxes and licenses	22,408	-	358,204	380,612
Unrestricted intergovernmental revenues	56,008	-	-	56,008
Restricted intergovernmental revenues	2,267,570	-	287,141	2,554,711
Permits and fees	107,831	-	-	107,831
Sales and services	232,985	-	-	232,985
Investment earnings	8,608	911	848	10,367
Miscellaneous	95,260	-	-	95,260
Total revenues	<u>10,758,744</u>	<u>911</u>	<u>646,193</u>	<u>11,405,848</u>
<b>Expenditures:</b>				
Current:				
General government	1,489,749	-	-	1,489,749
Public safety	1,670,454	-	526,368	2,196,822
Economic and physical development	912,088	1,263,003	87,223	2,262,314
Human services	1,983,238	-	-	1,983,238
Cultural and recreational	339,220	-	-	339,220
Education	2,795,023	-	-	2,795,023
Debt service:				
Principal	1,406,552	-	-	1,406,552
Interest	268,826	-	-	268,826
Total expenditures	<u>10,865,150</u>	<u>1,263,003</u>	<u>613,591</u>	<u>12,741,744</u>
Revenues over (under) expenditures	<u>(106,406)</u>	<u>(1,262,092)</u>	<u>32,602</u>	<u>(1,335,896)</u>
<b>Other Financing Sources (Uses):</b>				
Transfer to other funds	(133,359)	-	-	(133,359)
Total other financing sources (uses)	<u>(133,359)</u>	<u>-</u>	<u>-</u>	<u>(133,359)</u>
Net change in fund balances	(239,765)	(1,262,092)	32,602	(1,469,255)
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>3,579,394</u>	<u>1,412,773</u>	<u>280,516</u>	<u>5,272,683</u>
End of year - June 30	<u>\$ 3,339,629</u>	<u>\$ 150,681</u>	<u>\$ 313,118</u>	<u>\$ 3,803,428</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, 2013**

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) \$ (1,469,255)

Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected or is expected to be collected within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:

Property taxes (42,006)

Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets. 1,512,084

Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement. (356,262)

Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities. (This includes debt refunding transactions.) 1,406,552

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. (231,621)

Expenses related to compensated absences and Law Enforcement Officers' Separation Allowance that do not require current financial resources are not reported as expenditures in the governmental funds statement. (13,885)

Total changes in Net Position of governmental activities \$ 805,607

*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, 2013**

	General Fund			Variance from Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 6,139,891	\$ 6,199,047	\$ 6,118,577	\$ (80,470)
Local option sales taxes	1,787,000	1,787,000	1,849,497	62,497
Other taxes and licenses	18,000	18,000	22,408	4,408
Unrestricted intergovernmental revenues	58,600	58,600	56,008	(2,592)
Restricted intergovernmental revenues	2,185,307	1,904,460	2,267,570	363,110
Permits and fees	106,500	106,500	107,831	1,331
Sales and services	216,295	218,981	232,985	14,004
Investment earnings	7,000	7,000	8,608	1,608
Miscellaneous	75,150	97,665	95,260	(2,405)
Total revenues	<u>10,593,743</u>	<u>10,397,253</u>	<u>10,758,744</u>	<u>361,491</u>
<b>Expenditures:</b>				
Current:				
General government	1,478,180	1,581,824	1,489,749	92,075
Public safety	871,324	1,704,994	1,670,454	34,540
Economic and physical development	778,512	1,030,960	912,088	118,872
Human services	2,008,074	2,080,059	1,983,238	96,821
Cultural and recreational	363,023	369,721	339,220	30,501
Intergovernmental:				
Education	3,730,413	2,431,703	2,795,023	(363,320)
Debt service:				
Principal retirement	1,315,323	1,406,766	1,406,552	214
Interest and other charges	248,005	269,060	268,826	234
Total expenditures	<u>10,792,854</u>	<u>10,875,087</u>	<u>10,865,150</u>	<u>9,937</u>
Revenues over (under) expenditures	<u>(199,111)</u>	<u>(477,834)</u>	<u>(106,406)</u>	<u>371,428</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	-	3,311	-	(3,311)
Transfers to other funds	(44,985)	(184,116)	(170,419)	13,697
Contingency	(150,000)	-	-	-
Appropriated fund balance	394,096	658,639	-	(658,639)
Total other financing sources (uses)	<u>199,111</u>	<u>477,834</u>	<u>(170,419)</u>	<u>(648,253)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(276,825)</u>	<u>\$ (276,825)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>3,416,918</u>	
End of year - June 30			<u>\$ 3,140,093</u>	

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

## GATES COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013

	<b>Major Enterprise Funds</b>		
	<b>Landfill Fund</b>	<b>Water Fund</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 409,102	\$ 1,787,901	\$ 2,197,003
Receivables, net	125,373	76,639	202,012
Due from other governments	973	9,556	10,529
Inventories	-	20,446	20,446
Total current assets	<u>535,448</u>	<u>1,894,542</u>	<u>2,429,990</u>
Capital assets:			
Land, improvements, and construction in progress	-	998,787	998,787
Other capital assets, net of depreciation	13,454	4,512,172	4,525,626
Total capital assets	<u>13,454</u>	<u>5,510,959</u>	<u>5,524,413</u>
Total assets	<u>548,902</u>	<u>7,405,501</u>	<u>7,954,403</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	162,199	13,479	175,678
Other accrued liabilities	-	294	294
Current portion of compensated absences	-	2,700	2,700
Current portion of notes payable	-	167,963	167,963
Total current liabilities	<u>162,199</u>	<u>184,436</u>	<u>346,635</u>
Non-current liabilities:			
Compensated absences	-	25,000	25,000
Notes payable	-	344,939	344,939
Other post-employment benefits	-	115,056	115,056
Total non-current liabilities	<u>-</u>	<u>484,995</u>	<u>484,995</u>
Total liabilities	<u>162,199</u>	<u>669,431</u>	<u>831,630</u>
<b>Net Position:</b>			
Net investment in capital assets	13,454	4,998,057	5,011,511
Unrestricted	<u>373,249</u>	<u>1,738,013</u>	<u>2,111,262</u>
Total net position	<u>\$ 386,703</u>	<u>\$ 6,736,070</u>	<u>\$ 7,122,773</u>

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

## GATES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION- PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	<b>Major Enterprise Funds</b>		
	<b>Landfill Fund</b>	<b>Water Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Charges for services	\$ 639,732	\$ 905,505	\$ 1,545,237
Water and sewer taps	-	15,000	15,000
Miscellaneous	34,160	3,748	37,908
Total operating revenues	<u>673,892</u>	<u>924,253</u>	<u>1,598,145</u>
<b>Operating Expenses:</b>			
Water operations	-	680,285	680,285
Landfill operations	721,564	-	721,564
Depreciation	2,664	232,294	234,958
Total operating expenses	<u>724,228</u>	<u>912,579</u>	<u>1,636,807</u>
Operating income (loss)	<u>(50,336)</u>	<u>11,674</u>	<u>(38,662)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Sales tax refund	-	2,745	2,745
Investment earnings	953	5,375	6,328
Interest expense	-	(11,272)	(11,272)
Grants	-	124,593	124,593
Total non-operating revenues (expenses)	<u>953</u>	<u>121,441</u>	<u>122,394</u>
Net income (loss) before transfers	(49,383)	133,115	83,732
Transfers (to) from other funds	<u>-</u>	<u>133,359</u>	<u>133,359</u>
Change in net position	(49,383)	266,474	217,091
<b>Net Position:</b>			
Beginning of year - July 1	<u>436,086</u>	<u>6,469,596</u>	<u>6,905,682</u>
End of year - June 30	<u>\$ 386,703</u>	<u>\$ 6,736,070</u>	<u>\$ 7,122,773</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, 2013

	Major Enterprise Funds		
	Landfill Fund	Water Fund	Total
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 708,753	\$ 1,056,681	\$ 1,765,434
Cash paid for goods and services	(636,787)	(374,190)	(1,010,977)
Cash paid to employees for services	-	(287,652)	(287,652)
Other operating revenues	34,160	3,748	37,908
Net cash provided (used) by operating activities	<u>106,126</u>	<u>398,587</u>	<u>504,713</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(16,118)	(418,725)	(434,843)
Principal paid on bond maturities and equipment contracts	-	(165,030)	(165,030)
Interest paid on bond maturities equipment contracts	-	(11,272)	(11,272)
Net cash provided (used) by capital and related financing activities	<u>(16,118)</u>	<u>(595,027)</u>	<u>(611,145)</u>
<b>Cash Flows from Non-Capital and Related Activities:</b>			
Grants	-	124,593	124,593
Other non-operating revenues	-	2,745	2,745
Operating transfers (in) out	-	133,359	133,359
Net cash provided (used) by non-capital and related financing activities	<u>-</u>	<u>260,697</u>	<u>260,697</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	954	5,375	6,329
Net increase (decrease) in cash and cash equivalents	90,962	69,632	160,594
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>318,140</u>	<u>1,718,269</u>	<u>2,036,409</u>
End of year - June 30	<u>\$ 409,102</u>	<u>\$ 1,787,901</u>	<u>\$ 2,197,003</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (50,336)	\$ 11,674	\$ (38,662)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	2,664	232,294	234,958
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	69,022	96,046	165,068
(Increase) decrease in inventory	-	(79)	(79)
Increase (decrease) in accounts payable and accrued liabilities	84,776	37,847	122,623
Increase (decrease) in accrued vacation pay	-	1,644	1,644
Increase (decrease) in OPEB payable	-	19,161	19,161
Total adjustments	<u>156,462</u>	<u>386,913</u>	<u>543,375</u>
Net cash provided (used) by operating activities	<u>\$ 106,126</u>	<u>\$ 398,587</u>	<u>\$ 504,713</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, 2013**

	<u>Agency Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 3,447
Receivables	<u>2,681</u>
Total assets	<u>\$ 6,128</u>
<b>Liabilities:</b>	
Miscellaneous liabilities	<u>\$ 6,128</u>
Total liabilities	<u>\$ 6,128</u>

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

*This page left blank intentionally.*

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

Gates County, North Carolina (the “County”), governed by a five-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. GASB Statement Number 14 defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable if it appoints a voting majority of the organization's governing body and a) it is able to impose its will on that organization, or b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens upon, the primary government. The County seat is located in Gatesville, North Carolina. The County operates under a council-manager form of government and provides the following services as authorized by its charter: public safety, health, social service programs, and community development.

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

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

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

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

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

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 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, 2013

**Library Capital Project Fund.** This fund is used to account for the construction of the County library.

The County reports the following nonmajor governmental funds:

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

The County reports all of its enterprise funds as major:

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

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

The County reports the following fund types:

**Agency Funds.** Agency funds are custodial in nature and do not involve measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains 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, Drainage District II, Drainage District III, DMV Fund, and the Town of Gatesville.

### C. Measurement Focus, Basis of Accounting

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

**Government-Wide, Proprietary, and Fiduciary Fund Financial Statements.** The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds, which have no measurement focus. The government-wide, proprietary fund and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include 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.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be a resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Gates County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable on 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 by 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 CDBG Scattered Site Housing and CDBG Capacity Grant special revenue funds and the Library Capital Project Fund.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year project funds. Transfers of appropriations between funds may be made only by the Board. Transfers of appropriations between functional areas in a fund or from contingency shall be approved by the Board, but may be approved by the County Manager or Finance Officer if they are consistent with operational needs and do not exceed \$1,000. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

### **E. Assets, Liabilities, 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.

# **GATES COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013**

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

### **Cash and Cash Equivalents**

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

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

### **Restricted Assets**

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed. Money in the Tax Revaluation Fund is also classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. Unspent debt proceeds in the Library Capital Project Fund are classified as restricted assets for the fund because their use is restricted to the purpose for which the note was originally issued.

### **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, 2012. As allowed by State law, the County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

### **Allowances for Doubtful Accounts**

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

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 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.

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

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

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

# **GATES COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013**

### **Deferred Outflows/Inflows of Resources**

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

### **Compensated Absences**

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

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

### **Long-Term Obligations**

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

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

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 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 in tact.

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

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

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

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

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

*Restricted for Economic and Physical Development* – portion of fund balance restricted by a revenue source for the construction of a new county library and two community development projects.

**GATES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

Restricted fund balance at June 30, 2013 is as follows:

<b>Purpose</b>	<b>General Fund</b>	<b>Library Capital Project Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Restricted, all other:</b>				
Register of Deeds	\$ 4,683	\$ -	\$ -	\$ 4,683
General government	106,301	-	-	106,301
Public safety	10,156	-	266,107	276,263
Economic and physical development	-	119,247	37,573	156,820
<b>Total</b>	<b>\$ 121,140</b>	<b>\$ 119,247</b>	<b>\$ 303,680</b>	<b>\$ 544,067</b>

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

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

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

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

**GATES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

Assigned fund balance at June 30, 2013 is as follows:

<u>Purpose</u>	<u>General Fund</u>
Education	\$ 241,836
Debt service	59,485
Total assigned fund balance	<u>\$ 301,321</u>

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

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

The County has not officially adopted a fund balance policy.

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

Total fund balance - General Fund	\$ 3,339,629
Less:	
Stabilization by State statute	<u>(731,610)</u>
Total available fund balance	<u>\$ 2,608,019</u>

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 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	\$ 3,140,093
<b>Tax Revaluation Fund:</b>	
Transfer in	33,750
Fund balance, beginning	106,301
<b>USDA Loan Fund:</b>	
Transfer in	3,310
Fund balance, beginning	56,175
Fund balance, ending Exhibit D	<u>\$ 3,339,629</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, 2013

### 2. Detail Notes on All Funds

#### Deposits

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agent in the County's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County these deposits are considered to be held by the County's agent in the County's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

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

At June 30, 2013, the County's bank deposits had a carrying amount of \$5,452,492 and a bank balance of \$5,655,364. Of the bank balance, \$400,680 was covered by federal depository insurance and \$5,254,684 was covered by the Pooling Method. At June 30, 2013, Gates County had \$830 cash on hand.

#### Investments

At June 30, 2013, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Less Than 12 Months</u>
North Carolina Capital Management Trust - Cash Portfolio	AAAm	\$ 50,078	\$ 50,078
Total investments		<u>\$ 50,078</u>	<u>\$ 50,078</u>

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

*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, 2013. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government agencies and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

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

In accordance with the General Statutes, agriculture, horticulture, and forestland may be taxed by the County at the present use-value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. As of June 30, 2013, the deferment related to these properties was \$208,787,436 in valuation, and the deferred tax associated with the properties was \$1,336,240.

<b>Year Ended</b>				
<b>June 30</b>	<b>Valuation</b>	<b>Deferred Tax</b>	<b>Total</b>	
2011	\$ 203,885,124	\$ 1,304,865	\$ 205,189,989	
2012	202,992,792	1,299,154	204,291,946	
2013	208,787,436	1,336,240	210,123,676	
Total	<u>\$ 615,665,352</u>	<u>\$ 3,940,259</u>	<u>\$ 619,605,611</u>	

**GATES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**4. Receivables**

Receivables at Exhibit A at June 30, 2013 were as follows:

<u>Type of Receivable</u>	<u>Amount (Net of Allowance)</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Accounts Receivable:</b>			
Taxes receivable	\$ 347,062	\$ -	\$ 347,062
Accounts receivable	58,128	-	58,128
Customer/client billings	-	202,012	202,012
Total	<u>\$ 405,190</u>	<u>\$ 202,012</u>	<u>\$ 607,202</u>
<b>Due from Other Governments:</b>			
Local option sales tax	\$ 17,341	\$ -	\$ 17,341
Sales tax refund	697,013	10,529	707,542
Total	<u>\$ 714,354</u>	<u>\$ 10,529</u>	<u>\$ 724,883</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>
<b>Governmental Activities:</b>	
Property taxes - General Fund	\$ 287,533
Total	<u>\$ 287,533</u>
<b>Business-Type Activities:</b>	
Landfill Fund	\$ 53,738
Water Fund	67,204
Total	<u>\$ 120,942</u>

**GATES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**5. Capital Assets**

**Governmental Capital Assets**

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

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>
<b>Governmental Activities</b>				
<b>Non-Depreciable Assets:</b>				
Land	\$ 362,237	\$ -	\$ -	\$ 362,237
Construction in progress	87,784	1,263,003	-	1,350,787
Total non-depreciable assets	<u>450,021</u>	<u>1,263,003</u>	<u>-</u>	<u>1,713,024</u>
<b>Depreciable Assets:</b>				
Buildings	4,176,735	-	-	4,176,735
Other improvements	344,555	75,451	-	420,006
Equipment	927,426	-	-	927,426
Vehicles and motorized equipment	818,836	173,630	-	992,466
Total depreciable assets	<u>6,267,552</u>	<u>249,081</u>	<u>-</u>	<u>6,516,633</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	1,543,175	98,443	-	1,641,618
Other improvements	39,171	18,343	-	57,514
Equipment	399,638	78,527	-	478,165
Vehicles and motorized equipment	507,544	160,949	-	668,493
Total accumulated depreciation	<u>2,489,528</u>	<u>356,262</u>	<u>-</u>	<u>2,845,790</u>
Depreciable capital assets, net	<u>3,778,024</u>	<u>\$ (107,181)</u>	<u>\$ -</u>	<u>3,670,843</u>
Capital assets, net	<u>\$ 4,228,045</u>			<u>\$ 5,383,867</u>

**GATES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**Governmental Activities:**

General government	\$ 64,127
Public safety	81,940
Human services	110,441
Economic and physical development	74,815
Cultural and recreational	<u>24,939</u>
Total	<u><u>\$356,262</u></u>

**GATES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Proprietary Capital Assets**

The capital assets of the proprietary funds at June 30, 2013 are as follows:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>
<b>Water Fund:</b>				
<b>Non-Depreciable Assets:</b>				
Land	\$ 27,476	\$ -	\$ -	\$ 27,476
Construction in progress	<u>580,730</u>	<u>390,581</u>	<u>-</u>	<u>971,311</u>
Total non-depreciable assets	<u>608,206</u>	<u>390,581</u>	<u>-</u>	<u>998,787</u>
<b>Depreciable Assets:</b>				
Plant and systems	9,134,858	-	-	9,134,858
Furniture and maintenance equipment	429,035	11,254	-	440,289
Vehicles	<u>175,117</u>	<u>16,890</u>	<u>-</u>	<u>192,007</u>
Total depreciable assets	<u>9,739,010</u>	<u>28,144</u>	<u>-</u>	<u>9,767,154</u>
<b>Less Accumulated Depreciation:</b>				
Plant and distribution systems	4,565,568	183,009	-	4,748,577
Furniture and maintenance equipment	322,636	29,650	-	352,286
Vehicles	<u>134,484</u>	<u>19,635</u>	<u>-</u>	<u>154,119</u>
Total accumulated depreciation	<u>5,022,688</u>	<u>\$ 232,294</u>	<u>\$ -</u>	<u>5,254,982</u>
Depreciable capital assets, net	<u>4,716,322</u>			<u>4,512,172</u>
Water Fund capital assets, net	<u>\$ 5,324,528</u>			<u>\$ 5,510,959</u>

**GATES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>
<b>Landfill Fund:</b>				
<b>Depreciable Assets:</b>				
Plant and systems	\$ -	\$ 5,595	\$ -	\$ 5,595
Vehicles	-	10,523	-	10,523
Total depreciable assets	<u>-</u>	<u>16,118</u>	<u>-</u>	<u>16,118</u>
<b>Less Accumulated Depreciation:</b>				
Plant and distribution systems	-	560	-	560
Vehicles	-	2,104	-	2,104
Total accumulated depreciation	<u>-</u>	<u>\$ 2,664</u>	<u>\$ -</u>	<u>2,664</u>
Depreciable capital assets, net	<u>-</u>			<u>13,454</u>
Landfill capital assets, net	<u>\$ -</u>			<u>\$ 13,454</u>
Business-type activities capital assets, net	<u>\$ 5,324,528</u>			<u>\$ 5,524,413</u>

**Net Investment in Capital Assets**

The total net investment in capital assets at June 30, 2013 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 5,383,867	\$ 5,524,413
Long-term debt, County owned assets	2,206,504	512,902
Unspent County Debt Proceeds	<u>149,213</u>	<u>-</u>
Net investment in capital assets	<u>\$ 3,028,150</u>	<u>\$ 5,011,511</u>

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 6. Accounts Payable and Accrued Expenses

#### Disaggregation Information

Total payables at the government-wide level as of June 30, 2013:

<u>Type of Payable</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Trade payables	\$ 232,284	\$ 175,972	\$ 408,256
Total	<u>\$ 232,284</u>	<u>\$ 175,972</u>	<u>\$ 408,256</u>

### 7. Pension Plan Obligation

#### Local Governmental Employees' Retirement System

**Plan Description.** Gates County contributes to the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy.** Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, respectively, of annual covered payroll. The contribution requirements of members and of Gates County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$298,700, \$303,301, and \$283,059 respectively.

#### 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, 2013

All full-time County law enforcement officers are covered by the Separation Allowance. At December 30, 2012, the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan.

### Summary of Significant Accounting Policies

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

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

### Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2011 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, 2011 was 19 years.

**GATES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**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	\$	13,379
Interest on net pension obligation		6,456
Adjustment to annual required contribution		<u>(8,036)</u>
Annual pension cost		11,799
Employer contribution made for fiscal year ended June 30, 2013		<u>-</u>
Increase in net pension obligation		11,799
Net pension obligation:		
Beginning of year - July 1		<u>129,124</u>
End of year - June 30	\$	<u><u>140,923</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>
6/30/2011	\$ 11,877	0.00%	\$ 118,011
6/30/2012	11,113	0.00%	129,124
6/30/2013	11,799	0.00%	140,923

**Funding 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 the unfunded actuarial accrued liability (UAAL) was \$100,267. The covered payroll (annual payroll of active employees covered by the plan) was \$430,303, and the ratio of the UAAL to the covered payroll was 23.30%.

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.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### **Supplemental Retirement Income Plan for Law Enforcement Officers**

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

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2013 were \$32,187, which consisted of \$21,696 from the County and \$6,645 (\$10,491 with loan payments) from the law enforcement officers.

### **Registers of Deeds' Supplemental Pension Fund**

**Plan Description.** Gates County also contributes to the Register of Deeds' Supplemental Pension Fund (Fund), a non-contributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any County Register of Deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy.** On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2013, the County's required and actual contributions were \$892.

**GATES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Other Post-Employment Benefits-Healthcare**

**Plan Description.** The County provides healthcare benefits through a single-employer defined benefit plan to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System, have 20 years of creditable service with the County, and meet requirements for full retirement under the Local Governmental Employee's Retirement System. The County pays the full cost of coverage for these benefits. Currently, seven retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2013, the County made payments for post-retirement health benefit premiums of \$58,717. 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:

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

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

The current ARC rate is 14.12% of annual covered payroll. For the current year, the County contributed \$58,717, or 2.70% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to the plan is established and may be amended by the Board of County Commissioners.

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

**GATES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
Annual required contribution	\$ 282,729	\$ 24,585	\$ 307,314
Interest on net OPEB obligation	46,098	2,799	48,897
Adjustments to annual required contribution	<u>(42,975)</u>	<u>(3,737)</u>	<u>(46,712)</u>
Annual OPEB cost (expense)	285,852	23,647	309,499
Contributions made	<u>(54,231)</u>	<u>(4,486)</u>	<u>(58,717)</u>
Increase (decrease) in net OPEB obligation	231,621	19,161	250,782
Net OPEB obligation:			
Beginning of year - July 1	<u>1,126,533</u>	<u>95,895</u>	<u>1,222,428</u>
End of year - June 30	<u><u>\$ 1,358,154</u></u>	<u><u>\$ 115,056</u></u>	<u><u>\$ 1,473,210</u></u>

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 were as follows:

<b>Year Ended</b>	<b>Annual</b>	<b>Percentage</b>	<b>Net</b>
<b>June 30</b>	<b>OPEB</b>	<b>of Annual</b>	<b>OPEB</b>
	<b>Cost</b>	<b>OPEB Cost</b>	<b>Obligation</b>
		<b>Contributed</b>	
2011	\$ 456,725	8.80%	\$ 819,358
2012	459,012	12.20%	1,222,428
2013	309,499	18.97%	1,473,210

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

**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.

**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, 2013, 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.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### Other Employment Benefits

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

### 8. Deferred Inflows/Unavailable Revenues

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

<b>General Fund:</b>	<b>Unavailable Revenues</b>	<b>Unearned Revenues</b>	<b>Total</b>
Prepaid taxes	\$ -	\$ 39,720	\$ 39,720
Taxes receivable (net)	347,062	-	347,062
Total	<u>\$ 347,062</u>	<u>\$ 39,720</u>	<u>\$ 386,782</u>

**GATES COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**9. Long-Term Obligations**

**Long-Term Obligation Activity**

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2013:

	<u>Balance</u>			<u>Balance</u>	<u>Current</u>
	<u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>	<u>Portion of</u>
					<u>Balance</u>
<b>Governmental Activities:</b>					
Notes payable	\$ 8,407,842	\$ -	\$ (1,406,552)	\$ 7,001,290	\$ 1,123,018
OPEB liability	1,126,533	285,852	(54,231)	1,358,154	-
LEO liability	129,124	11,799	-	140,923	-
Compensated absences	<u>231,460</u>	<u>128,768</u>	<u>(126,682)</u>	<u>233,546</u>	<u>58,386</u>
Total governmental activities	<u>\$ 9,894,959</u>	<u>\$ 426,419</u>	<u>\$ (1,587,465)</u>	<u>\$ 8,733,913</u>	<u>\$ 1,181,404</u>
<b>Business-Type Activities:</b>					
Notes payable	\$ 677,932	\$ -	\$ (165,030)	\$ 512,902	\$ 167,963
OPEB liability	95,895	23,647	(4,486)	115,056	-
Compensated absences	<u>26,056</u>	<u>13,956</u>	<u>(12,312)</u>	<u>27,700</u>	<u>2,700</u>
Total business-type activities	<u>\$ 799,883</u>	<u>\$ 37,603</u>	<u>\$ (181,828)</u>	<u>\$ 655,658</u>	<u>\$ 170,663</u>

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

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, 2013, the legal debt limit and legal debt margin given no bonded debt outstanding totaled \$65,727,171.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### Notes Payable

#### Serviced by General Fund:

3.65% note with Southern Bank & Trust Company; issued to refinance Gates County High School on 7/30/2003; payable in semi-annual installments of \$281,263, including interest; matured in July 2013; secured by Gates County High School. \$ 276,320

3.74% note refinancing; payable in annual installments of \$6,752, including interest; original issuance on 1/13/2006 for Register of Deed's equipment; note matured July 2013; secured by Register of Deeds equipment. 6,505

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 principle balance of \$4,460,000, with interest payable at 2.91%, with a original maturity date of March 2022. 3,900,000

2.89% note; payable in annual installments of \$83,440, including interest; Refinanced the original issuance of \$1,400,00, with the United States Department of Agriculture Rural Development; to finance the construction of Social Services building; matures September 2026; secured by Social Services building. 1,197,848

2.89% note; payable in annual installments of \$28,902, including interest; Refinanced the original issuance of \$1,400,00, with the United States Department of Agriculture Rural Development; to finance the construction of Social Services building; matures September 2026; secured by Social Services building. 420,617

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. 1,200,000

Total notes payable \$ 7,001,290

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

**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.

\$ 512,902

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,123,018	\$ 214,306	\$ 167,963	\$ 8,338
2015	831,615	192,037	170,950	5,352
2016	834,456	166,639	173,989	2,313
2017	837,378	141,160	-	-
2018	540,384	116,925	-	-
2019-2023	2,316,826	281,999	-	-
2024-2028	517,611	37,733	-	-
Total	<u>\$ 7,001,290</u>	<u>\$ 1,150,798</u>	<u>\$ 512,902</u>	<u>\$ 16,003</u>

### 10. Risk Management

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

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

# **GATES COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013**

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

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

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

Federal and State laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. As indicated in Note 13, the County participates in two joint ventures in connection with handling solid waste disposal - Perquimans-Gates Waste Management and Albemarle Regional Solid Waste Authority.

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

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 12. Interfund Balances and Activity

#### Transfer To/From Other Funds

Transfers to/from other funds at June 30, 2013 consist of the following:

Fund Type	Fund Name	From	To	Purpose
Water Fund	Transfer to project fund	\$ 132,994	\$ -	Transfer from Water Fund
Wastewater Capital				to Wastewater
Project Fund	Transfer from Water fund	-	132,994	Facility for capital expansion.
General Fund	Transfer to Water Fund	365	-	Transfer from General Fund to Water
Water Fund	Transfer from General Fund	-	365	Fund assist in rising operating costs.
General Fund	Transfer to Wastewater			
	Capital Project Fund	132,994	-	Transfer from General Fund to Wastewater
Water Fund	Transfer In	-	132,994	Facility for capital expansion.
	Total	<u>\$ 266,353</u>	<u>\$ 266,353</u>	

### 13. Joint Ventures

The County participates in a joint venture to operate Perquimans-Chowan Gates Regional Landfill (Landfill) with two other counties. Each participating government appoints their County Manager and one Commissioner to the nine-member Board of the Landfill. Although the Landfill is no longer accepting solid waste, the site will continue to be used as a waste transfer station. Gates County will continue to pay 25% of the site's operating cost and 33% of any capital outlay and administration cost. In accordance with the intergovernmental agreement between the participating governments, the County paid \$689,654 for operating costs. Albemarle Regional Health acts as fiscal agent to the Landfill.

The County participates in a joint venture to operate Albemarle Regional Library (Library) which serves a four-County district. Gates County appoints three members to the ten-member district Library Board. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library system, so no equity interest has been reflected in the financial statements at June 30, 2013. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$95,000 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.

# **GATES COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013. 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.

### **14. Jointly Governed Organization**

The County, in conjunction with nine other counties and sixteen other municipalities, established the Albemarle Commission. The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints three members to the Commission's governing Board. The County paid membership fees of \$7,939 to the Commission during the fiscal year ended June 30, 2013.

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 health care services. These entities provide mental health services to the residents of the participating counties through satellite offices. The County contributed \$39,119 to this organization during the fiscal year ended June 30, 2013.

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 15. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 7,965,954	\$ 4,367,814
WIC	175,054	-
IV- E Foster Care	185,037	-
Energy Assistance	92,562	-
TANF	270,321	-
Total	<u>\$ 8,688,928</u>	<u>\$ 4,367,814</u>

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

#### Federal and State-Assisted Programs

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

### 17. Change in Accounting Principal/Restatement

The County implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously Reported as Assets and Liabilities, in the fiscal year ended June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with Statement of Net Position. Items on the Statement of Net Position are now classified in Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as Deferred Outflows of Resources.

## GATES COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2013

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
		Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)			
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
2013	\$ 307,314	\$ 58,717	19.11%
2012	454,514	55,942	12.31%
2011	454,514	40,041	8.81%
2010	454,514	51,554	11.34%

## 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, 2013

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) -			Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
		Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)				
12/31/2005	\$ -	\$ 42,322	\$ 42,322	0.00%	\$ 286,527	14.77%	
12/31/2010	-	80,704	80,704	0.00%	420,215	19.21%	
12/31/2011	-	90,169	90,169	0.00%	421,241	21.41%	
12/31/2012	-	100,267	100,267	0.00%	430,303	23.30%	

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage of ARC Contributed
2010	\$ 13,138	0.00%
2011	12,252	0.00%
2012	12,252	0.00%
2013	13,379	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	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	Ranges from 4.25 to 7.85%
Cost-of-living adjustments	None
*Includes inflation at	3.00%

## GATES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - ACTUAL - GENERAL FUND CONSOLIDATED  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Revaluation Fund</u>	<u>USDA Loan Fund</u>	<u>Eliminations</u>	<u>Total General Fund</u>
<b>Revenues:</b>					
Ad valorem taxes	\$ 6,118,577	\$ -	\$ -	\$ -	\$ 6,118,577
Local option sales taxes	1,849,497	-	-	-	1,849,497
Other taxes and licenses	22,408	-	-	-	22,408
Unrestricted intergovernmental revenues	56,008	-	-	-	56,008
Restricted intergovernmental revenues	2,267,570	-	-	-	2,267,570
Permits and fees	107,831	-	-	-	107,831
Sales and services	232,985	-	-	-	232,985
Investment earnings	8,608	-	-	-	8,608
Miscellaneous	95,260	-	-	-	95,260
Total revenues	<u>10,758,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,758,744</u>
<b>Expenditures:</b>					
Current:					
General government	1,489,749	-	-	-	1,489,749
Public safety	1,670,454	-	-	-	1,670,454
Economic and physical development	912,088	-	-	-	912,088
Human services	1,983,238	-	-	-	1,983,238
Cultural and recreational	339,220	-	-	-	339,220
Education	2,795,023	-	-	-	2,795,023
Debt service:					
Principal	1,406,552	-	-	-	1,406,552
Interest	268,826	-	-	-	268,826
Total expenditures	<u>10,865,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,865,150</u>
Revenues over (under) expenditures	<u>(106,406)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(106,406)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	-	33,750	3,310	(37,060)	-
Transfer to other funds	<u>(170,419)</u>	<u>-</u>	<u>-</u>	<u>37,060</u>	<u>(133,359)</u>
Total other financing sources (uses)	<u>(170,419)</u>	<u>33,750</u>	<u>3,310</u>	<u>-</u>	<u>(133,359)</u>
Net change in fund balances	(276,825)	33,750	3,310	-	(239,765)
<b>Fund Balances:</b>					
Beginning of year - July 1	<u>3,416,918</u>	<u>106,301</u>	<u>56,175</u>	<u>-</u>	<u>3,579,394</u>
End of year - June 30	<u>\$ 3,140,093</u>	<u>\$ 140,051</u>	<u>\$ 59,485</u>	<u>\$ -</u>	<u>\$ 3,339,629</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, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes	\$ 6,197,547	\$ 6,043,269	\$ (154,278)	\$ 6,033,562
Penalties and interest	1,500	75,308	73,808	3,494
Total	<u>6,199,047</u>	<u>6,118,577</u>	<u>(80,470)</u>	<u>6,037,056</u>
<b>Local Option Sales Taxes:</b>				
Article 39	340,000	384,842	44,842	369,773
Article 40 one-half of one percent	640,000	639,846	(154)	647,193
Article 42 one-half of one percent	175,000	208,913	33,913	196,199
Article 44	-	(586)	(586)	380
Medicaid Hold Harmless payment	<u>632,000</u>	<u>616,482</u>	<u>(15,518)</u>	<u>658,176</u>
Total	<u>1,787,000</u>	<u>1,849,497</u>	<u>62,497</u>	<u>1,871,721</u>
<b>Other Taxes and Licenses:</b>				
Tax refunds	-	111	111	10,989
Deep stamp excise tax	15,000	19,912	4,912	25,595
Privilege licenses	1,000	1,000	-	1,000
ABC bottle tax	<u>2,000</u>	<u>1,385</u>	<u>(615)</u>	<u>2,028</u>
Total	<u>18,000</u>	<u>22,408</u>	<u>4,408</u>	<u>39,612</u>
<b>Unrestricted Intergovernmental Revenues:</b>				
Payments in lieu of taxes	10,000	7,538	(2,462)	8,022
Beer and wine tax	45,000	46,956	1,956	51,529
Cable franchise fees	1,600	1,514	(86)	1,594
ABC distributions	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>	<u>-</u>
Total	<u>58,600</u>	<u>56,008</u>	<u>(2,592)</u>	<u>61,145</u>
<b>Restricted Intergovernmental Revenues:</b>				
Federal and State grants	<u>1,904,460</u>	<u>2,267,570</u>	<u>363,110</u>	<u>2,270,768</u>
Total	<u>1,904,460</u>	<u>2,267,570</u>	<u>363,110</u>	<u>2,270,768</u>
<b>Permits and Fees:</b>				
Building permits	60,000	59,466	(534)	64,870
Register of Deeds	<u>46,500</u>	<u>48,365</u>	<u>1,865</u>	<u>38,794</u>
Total	<u>106,500</u>	<u>107,831</u>	<u>1,331</u>	<u>103,664</u>
<b>Sales and Services:</b>				
Transportation fares	24,000	22,467	(1,533)	13,547
Rents, concessions, and fees	105,181	119,428	14,247	106,977
Jail fees	32,500	33,146	646	32,539
School resource officer	37,300	38,752	1,452	36,535
Court facilities fees	<u>20,000</u>	<u>19,192</u>	<u>(808)</u>	<u>20,136</u>
Total	<u>218,981</u>	<u>232,985</u>	<u>14,004</u>	<u>209,734</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, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
<b>Investment Earnings</b>	7,000	8,608	1,608	10,606
<b>Miscellaneous:</b>				
Insurance reimbursement	58,115	59,498	1,383	17,358
Sale of assets	10,000	978	(9,022)	64,947
Other	29,550	34,784	5,234	16,681
Total	97,665	95,260	(2,405)	98,986
Total revenues	10,397,253	10,758,744	361,491	10,703,292
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Salaries and employee benefits	76,040	75,536	504	75,387
Operating expenditures	205,835	161,688	44,147	227,100
Total	281,875	237,224	44,651	302,487
<b>Administration:</b>				
Salaries and employee benefits	327,975	323,644	4,331	306,844
Operating expenditures	61,387	58,652	2,735	35,657
Reimbursement from Enterprise Fund	(51,154)	(53,831)	2,677	(47,805)
Total	338,208	328,465	9,743	294,696
<b>Tax Collection:</b>				
Salaries and employee benefits	183,849	184,429	(580)	182,321
Operating expenditures	90,226	88,083	2,143	84,729
Capital outlay	-	-	-	4,675
Total	274,075	272,512	1,563	271,725
<b>Legal:</b>				
Contracted services	17,000	11,563	5,437	20,655
<b>Court Facilities:</b>				
Operating expenditures	35,500	34,513	987	33,046
<b>Elections:</b>				
Salaries and employee benefits	50,430	49,475	955	53,718
Operating expenditures	44,576	38,088	6,488	27,490
Total	95,006	87,563	7,443	81,208

GATES COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
<b>Register of Deeds:</b>				
Salaries and employee benefits	102,311	98,249	4,062	95,567
Operating expenditures	24,795	21,862	2,933	23,478
Total	127,106	120,111	6,995	119,045
<b>Public Buildings:</b>				
Salaries and employee benefits	120,784	115,873	4,911	111,778
Operating expenditures	195,570	191,497	4,073	198,888
Capital outlay	96,700	90,428	6,272	201,746
Total	413,054	397,798	15,256	512,412
Total general government	1,581,824	1,489,749	92,075	1,635,274
<b>Public Safety:</b>				
<b>Sheriff and Communications:</b>				
Salaries and employee benefits	856,831	845,801	11,030	783,521
Operating expenditures	146,850	146,198	652	133,264
Capital outlay	48,700	47,544	1,156	4,930
Total	1,052,381	1,039,543	12,838	921,715
<b>Jail:</b>				
Operating expenditures	277,500	276,597	903	203,979
Total	277,500	276,597	903	203,979
<b>Emergency Management:</b>				
Salaries and employee benefits	95,282	95,893	(611)	94,501
Operating expenditures	3,518	(12,436)	15,954	(1,132)
Capital outlay	700	677	23	512
Total	99,500	84,134	15,366	93,881
<b>Fire:</b>				
Forest fire protection	64,790	64,790	-	53,246
<b>Recue Squad:</b>				
Allocation	25,000	25,000	-	25,000
<b>Building Inspector:</b>				
Salaries and employee benefits	111,873	110,796	1,077	108,343
Operating expenditures	18,950	16,116	2,834	12,970
Total	130,823	126,912	3,911	121,313

**GATES COUNTY, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
<b>Medical Examiner:</b>				
Professional services	5,000	4,000	1,000	6,400
<b>Animal Control:</b>				
Operating expenditures	50,000	49,478	522	49,459
Total public safety	1,704,994	1,670,454	34,540	1,474,993
<b>Economic and Physical Development:</b>				
<b>Agricultural Extension:</b>				
Salaries and employee benefits	132,416	131,842	574	95,703
Operating expenditures	22,126	21,984	142	15,516
Total	154,542	153,826	716	111,219
<b>Soil and Water Conservation:</b>				
Salaries and employee benefits	80,676	79,831	845	82,508
Operating expenditures	9,476	5,972	3,504	5,750
Total	90,152	85,803	4,349	88,258
<b>Zoning:</b>				
Salaries and employee benefits	54,371	53,853	518	73,863
Operating expenditures	19,586	19,400	186	18,622
Total	73,957	73,253	704	92,485
<b>Cooperative Extension Service:</b>				
Support of our students	-	-	-	26,925
Genesis	28,402	28,531	(129)	24,630
New choices	-	-	-	525
School age child care	30,137	32,446	(2,309)	22,037
Life Smarts	1,494	-	1,494	-
Making a job	9,000	5,836	3,164	-
Work Experience Grant	4,905	4,385	520	-
Divorce filing fee	-	-	-	12,510
Gang grant	20,000	19,718	282	-
4-H Program	6,539	2,479	4,060	923
Baby Love Grant	-	-	-	37,901
SHIP Grant	4,970	4,494	476	3,153
Science camp	2,953	2,953	-	-
Albemarle Foundation Grant	-	-	-	486
Real World Grant	1,568	1,368	200	215
ECB Youth Opportunities Grant	5,000	4,680	320	-
Total	114,968	106,890	8,078	129,305

**GATES COUNTY, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	<u>2013</u>			<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>GITS:</b>				
Salaries and employee benefits	249,927	224,829	25,098	228,034
Operating expenditures	234,164	161,347	72,817	145,327
Capital outlay	113,250	106,140	7,110	77,003
Total	<u>597,341</u>	<u>492,316</u>	<u>105,025</u>	<u>450,364</u>
Total economic and physical development	<u>1,030,960</u>	<u>912,088</u>	<u>118,872</u>	<u>871,631</u>
<b>Human Services:</b>				
<b>Health:</b>				
<b>Administration:</b>				
Albemarle Regional Health Services	113,500	113,500	-	113,500
Albemarle Mental Health Center	39,734	39,119	615	39,762
Albemarle Hospital	500	500	-	500
Total	<u>153,734</u>	<u>153,119</u>	<u>615</u>	<u>153,762</u>
<b>Social Services:</b>				
<b>Administration:</b>				
Salaries and employee benefits	1,022,987	997,914	25,073	998,446
Operating expenditures	206,433	180,827	25,606	199,532
Total	<u>1,229,420</u>	<u>1,178,741</u>	<u>50,679</u>	<u>1,197,978</u>
<b>Special Assistance for Adults:</b>				
County participation	<u>87,926</u>	<u>87,564</u>	<u>362</u>	<u>82,673</u>
<b>Medicaid:</b>				
County participation	<u>84,500</u>	<u>83,453</u>	<u>1,047</u>	<u>102,663</u>
<b>Special Social Services:</b>				
Food Stamp Program	4,000	2,779	1,221	3,450
Daycare	302,920	293,188	9,732	304,608
Crisis intervention	98,986	84,124	14,862	85,631
N.C. Blind Commission	980	981	(1)	1,118
Domestic violence	-	-	-	8,235
Work First	16,000	10,675	5,325	12,806
CPS and independent living	4,000	-	4,000	9,979
Others	15,002	6,025	8,977	8,259
Total	<u>441,888</u>	<u>397,772</u>	<u>44,116</u>	<u>434,086</u>
Total social services	<u>1,843,734</u>	<u>1,747,530</u>	<u>96,204</u>	<u>1,817,400</u>
<b>Special Appropriations:</b>				
Veterans service	4,000	4,000	-	4,000
Juvenile crime prevention	32,831	32,831	-	32,706
Others	45,760	45,758	2	42,781
Total special appropriation	<u>82,591</u>	<u>82,589</u>	<u>2</u>	<u>79,487</u>
Total human services	<u>2,080,059</u>	<u>1,983,238</u>	<u>96,821</u>	<u>2,050,649</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, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013		Variance Over/Under	2012
	Budget	Actual		Actual
<b>Cultural and Recreational:</b>				
<b>Community Center:</b>				
Salaries and employee benefits	48,023	47,523	500	44,274
Operating expenditures	226,698	196,697	30,001	185,221
Total	274,721	244,220	30,501	229,495
<b>Libraries:</b>				
Operating expenditures	95,000	95,000	-	92,325
Total cultural and recreation	369,721	339,220	30,501	321,820
<b>Education:</b>				
Public schools - current	2,240,703	2,604,023	(363,320)	2,592,079
Public schools - capital outlay	175,000	175,000	-	100,000
Community colleges	16,000	16,000	-	16,000
Total education	2,431,703	2,795,023	(363,320)	2,708,079
<b>Debt Service:</b>				
Principal retirement	1,406,766	1,406,552	214	994,662
Interest and fees	269,060	268,826	234	308,181
Total debt service	1,675,826	1,675,378	448	1,302,843
Total expenditures	10,875,087	10,865,150	9,937	10,365,289
Revenues over (under) expenditures	(477,834)	(106,406)	371,428	338,003
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	3,311	-	(3,311)	13,939
Transfers to other funds	(184,116)	(170,419)	13,697	(223,045)
Appropriated fund balance	658,639	-	(658,639)	-
Total other financing sources (uses)	477,834	(170,419)	(648,253)	(209,106)
Net change in fund balance	\$ -	(276,825)	\$ (276,825)	128,897
<b>Fund Balance:</b>				
Beginning of year - July 1		3,416,918		\$ 3,288,021
End of year - June 30		\$ 3,140,093		\$ 3,416,918

## GATES COUNTY, NORTH CAROLINA

## REVALUATION FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2013

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Investment earnings	\$ -	\$ -	\$ -	\$ 197
<b>Expenditures:</b>				
General government	33,750	-	33,750	-
Revenues over (under) expenditures	(33,750)	-	33,750	197
<b>Other Financing Sources (Uses):</b>				
Transfers (to) from other funds	33,750	33,750	-	33,750
Total other financing sources (uses)	33,750	33,750	-	33,750
Net change in fund balance	\$ -	33,750	\$ 33,750	33,947
<b>Fund Balance:</b>				
Beginning of year - July 1		106,301		72,354
End of year - June 30		\$ 140,051		\$ 106,301

## 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, 2013

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Other Financing Sources (Uses):</b>				
Transfers (to) from other funds	\$ 11,235	\$ 3,310	\$ (7,925)	\$ 11,235
Contingency	<u>(11,235)</u>	<u>-</u>	<u>11,235</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>3,310</u>	<u>3,310</u>	<u>11,235</u>
Net change in fund balance	<u>\$ -</u>	<u>3,310</u>	<u>\$ 3,310</u>	11,235
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>56,175</u>		<u>44,940</u>
End of year - June 30		<u>\$ 59,485</u>		<u>\$ 56,175</u>

## GATES COUNTY, NORTH CAROLINA

MAJOR CAPITAL PROJECT FUND  
 LIBRARY CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Restricted intergovernmental				
Investment earnings	\$ -	\$ 557	\$ 911	\$ 1,468
<b>Expenditures:</b>				
Construction costs	1,500,000	87,784	1,263,003	1,350,787
Revenues over (under) expenditures	(1,500,000)	(87,227)	(1,262,092)	(1,349,319)
<b>Other Financing Sources (Uses):</b>				
Debt proceeds	1,500,000	1,500,000	-	1,500,000
Total other financing sources (uses)	1,500,000	1,500,000	-	1,500,000
Net change in fund balance	\$ -	\$ 1,412,773	(1,262,092)	\$ 150,681
<b>Fund Balance:</b>				
Beginning of year - July 1			1,412,773	
End of year - June 30			\$ 150,681	

*This page left blank intentionally.*

**GATES COUNTY, NORTH CAROLINA**

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2013**

	<b>Emergency Telephone System Fund</b>	<b>Fire Protection Fund</b>	<b>CDBG Scattered Site Grant Project</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 266,781	\$ 69,613	\$ 15
Accounts receivable, net	9,109	-	60
Due from other governments	<u>269</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 276,159</u>	<u>\$ 69,613</u>	<u>\$ 75</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 674	\$ 69,613	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>674</u>	<u>69,613</u>	<u>-</u>
<b>Fund Balances:</b>			
Stabilization for State statute	9,378	-	60
Restricted, all other	266,107	-	15
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>275,485</u>	<u>-</u>	<u>75</u>
Total liabilities and fund balances	<u>\$ 276,159</u>	<u>\$ 69,613</u>	<u>\$ 75</u>

**Schedule C-1**

<b>CDBG Capacity Building Grant</b>	<b>DSS Urgent Home Repair Grant</b>	<b>Homeland Security Grant</b>	<b>Total</b>
\$ -	\$ 37,558	\$ -	\$ 373,967
-	-	-	9,169
-	-	2,042	2,311
<u>\$ -</u>	<u>\$ 37,558</u>	<u>\$ 2,042</u>	<u>\$ 385,447</u>
\$ -	\$ -	\$ -	\$ 70,287
-	-	2,042	2,042
-	-	2,042	72,329
-	-	2,042	11,480
-	37,558	-	303,680
-	-	(2,042)	(2,042)
<u>-</u>	<u>37,558</u>	<u>-</u>	<u>313,118</u>
<u>\$ -</u>	<u>\$ 37,558</u>	<u>\$ 2,042</u>	<u>\$ 385,447</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, 2013**

	<b>Emergency Telephone System Fund</b>	<b>Fire Protection Fund</b>	<b>CDBG Scattered Site Grant Project</b>
<b>Revenues:</b>			
Restricted intergovernmental	\$ -	\$ -	\$ 29,296
Other taxes and licenses	109,310	248,894	-
Investment earnings	790	-	-
Total revenues	<u>110,100</u>	<u>248,894</u>	<u>29,296</u>
<b>Expenditures:</b>			
Current:			
Public safety	98,761	265,264	-
Economic development	-	-	29,221
Total expenditures	<u>98,761</u>	<u>265,264</u>	<u>29,221</u>
Net change in fund balances	11,339	(16,370)	75
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>264,146</u>	<u>16,370</u>	<u>-</u>
End of year - June 30	<u>\$ 275,485</u>	<u>\$ -</u>	<u>\$ 75</u>

Schedule C-2

<b>CDBG Capacity Building Grant</b>	<b>DSS Urgent Repair Home Grant</b>	<b>Homeland Security Grant</b>	<b>Total</b>
\$ 58,002	\$ 37,500	\$ 162,343	\$ 287,141
-	-	-	358,204
-	58	-	848
<u>58,002</u>	<u>37,558</u>	<u>162,343</u>	<u>646,193</u>
-	-	162,343	526,368
<u>58,002</u>	-	-	<u>87,223</u>
<u>58,002</u>	-	<u>162,343</u>	<u>613,591</u>
-	37,558	-	32,602
-	-	-	280,516
<u>\$ -</u>	<u>\$ 37,558</u>	<u>\$ -</u>	<u>\$ 313,118</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, 2013  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Other taxes and licenses	\$ 109,310	\$ 109,310	\$ -	\$ 105,222
Investment earnings	-	790	790	1,347
Total revenues	<u>109,310</u>	<u>110,100</u>	<u>790</u>	<u>106,569</u>
<b>Expenditures:</b>				
Public safety	<u>113,610</u>	<u>98,761</u>	<u>14,849</u>	<u>279,585</u>
Revenues over (under) expenditures	<u>(4,300)</u>	<u>11,339</u>	<u>15,639</u>	<u>(173,016)</u>
<b>Other Financing Sources (Uses):</b>				
Transfer (to) from other funds	-	-	-	(13,939)
Appropriated fund balance	<u>4,300</u>	-	<u>(4,300)</u>	-
Total other financing sources (uses)	<u>4,300</u>	-	<u>(4,300)</u>	<u>(13,939)</u>
Net change in fund balance	<u>\$ -</u>	<u>11,339</u>	<u>\$ 11,339</u>	<u>(186,955)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>264,146</u>		<u>451,101</u>
End of year - June 30		<u>\$ 275,485</u>		<u>\$ 264,146</u>

## GATES COUNTY, NORTH CAROLINA

## FIRE PROTECTION FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2013

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Fire protection fees	\$ 280,000	\$ 248,894	\$ (31,106)	\$ 248,182
Total revenues	<u>280,000</u>	<u>248,894</u>	<u>(31,106)</u>	<u>248,182</u>
<b>Expenditures:</b>				
Volunteer fire department	<u>280,000</u>	<u>265,264</u>	<u>14,736</u>	<u>233,573</u>
Net change in fund balance	<u>\$ -</u>	<u>(16,370)</u>	<u>\$ (16,370)</u>	<u>14,609</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>16,370</u>		<u>1,761</u>
End of year - June 30		<u>\$ -</u>		<u>\$ 16,370</u>

## GATES COUNTY, NORTH CAROLINA

**CDBG SCATTERED SITE GRANT PROJECT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 400,000	\$ -	\$ 29,296	\$ 29,296
<b>Expenditures:</b>				
Economic and physical development				
Clearance	37,500	-	-	-
Rehabilitation	500	-	500	500
Relocation	322,000	-	2,474	2,474
Administration	40,000	-	26,247	26,247
Total expenditures	<u>400,000</u>	<u>-</u>	<u>29,221</u>	<u>29,221</u>
Net change in fund balance	\$ -	\$ -	\$ 75	\$ 75

## 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, 2013**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 219,369	\$ -	\$ 162,343	\$ 162,343
<b>Expenditures:</b>				
Administration	219,369	-	162,343	162,343
Total expenditures	219,369	-	162,343	162,343
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

## GATES COUNTY, NORTH CAROLINA

**CDBG CAPACITY BUILDING GRANT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Project Authorization</b>	<b>Actual</b>		<b>Total to Date</b>
	<b>Prior Years</b>	<b>Current Year</b>		
<b>Revenues:</b>				
Restricted intergovernmental	\$ 100,000	\$ 27,189	\$ 58,002	\$ 85,191
<b>Expenditures:</b>				
Planning	90,000	25,189	50,502	75,691
Administration	10,000	2,000	7,500	9,500
Total expenditures	100,000	27,189	58,002	85,191
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

## GATES COUNTY, NORTH CAROLINA

**DSS URGENT HOME REPAIR GRANT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Revenues:</b>				
Restricted intergovernmental	\$ 75,000	\$ -	\$ 37,500	37,500
Investment earnings	-	-	58	58
Total revenues	<u>75,000</u>	<u>-</u>	<u>37,558</u>	<u>37,558</u>
<b>Expenditures:</b>				
Economic and physical development Rehabilitation	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,558</u>	<u>\$ 37,558</u>

## GATES COUNTY, NORTH CAROLINA

## LANDFILL FUND

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2013

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Charges for services:				
Solid waste charges	\$ 745,000	\$ 639,732	\$ (105,268)	\$ 745,396
Miscellaneous	1,700	686	(1,014)	946
Total operating revenues	<u>746,700</u>	<u>640,418</u>	<u>(106,282)</u>	<u>746,342</u>
Non-operating revenues:				
Investment earnings	-	953	953	884
White goods	5,000	4,635	(365)	3,706
Scrap tire	15,000	18,677	3,677	16,537
Solid waste disposal tax	7,000	10,162	3,162	9,746
Total non-operating revenues	<u>27,000</u>	<u>34,427</u>	<u>7,427</u>	<u>30,873</u>
Total revenues	<u>773,700</u>	<u>674,845</u>	<u>(98,855)</u>	<u>777,215</u>
<b>Expenditures:</b>				
Landfill operations:				
Operating expenditures	758,000	721,564	36,436	681,830
Capital outlay	15,700	16,118	(418)	-
Total expenditures	<u>773,700</u>	<u>737,682</u>	<u>36,018</u>	<u>681,830</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>(62,837)</u>	<u>\$ (62,837)</u>	<u>\$ 95,385</u>

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

## Reconciling items:

Capital outlay	16,118
Depreciation expense	<u>(2,664)</u>
Change in net position	<u>\$ (49,383)</u>

GATES COUNTY, NORTH CAROLINA

**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012**

	2013			2012
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Water sales	\$ 1,008,800	\$ 905,505	\$ (103,295)	\$ 890,533
Water taps and connection fees	23,000	15,000	(8,000)	31,000
Miscellaneous	-	3,748	3,748	8,760
Total operating revenues	<u>1,031,800</u>	<u>924,253</u>	<u>(107,547)</u>	<u>930,293</u>
Non-operating revenues:				
Grants	-	-	-	5,132
Investment earnings	6,200	5,375	(825)	6,110
Tax refunds	<u>1,500</u>	<u>2,745</u>	<u>1,245</u>	<u>2,498</u>
Total non-operating revenues	<u>7,700</u>	<u>8,120</u>	<u>420</u>	<u>13,740</u>
Total revenues	<u>1,039,500</u>	<u>932,373</u>	<u>(107,127)</u>	<u>944,033</u>
<b>Expenditures:</b>				
Water and sewer operations:				
Salaries and benefits	284,810	284,197	613	283,582
Operating expenditures	336,597	321,452	15,145	298,025
Capital outlay	36,500	28,144	8,356	-
Reimbursement for General Fund administration	<u>55,655</u>	<u>53,831</u>	<u>1,824</u>	<u>47,805</u>
Total operations	<u>713,562</u>	<u>687,624</u>	<u>25,938</u>	<u>629,412</u>
Debt service:				
Principal payment	165,030	165,030	-	155,984
Interest and fees	<u>11,273</u>	<u>11,272</u>	<u>1</u>	<u>27,276</u>
Total debt service	<u>176,303</u>	<u>176,302</u>	<u>1</u>	<u>183,260</u>
Total expenditures	<u>889,865</u>	<u>863,926</u>	<u>25,939</u>	<u>812,672</u>
Revenues over (under) expenditures	<u>149,635</u>	<u>68,447</u>	<u>(81,188)</u>	<u>131,361</u>

GATES COUNTY, NORTH CAROLINA

WATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012

	<u>2013</u>		<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
			<u>Actual</u>
<b>Other Financing Sources (Uses):</b>			
Transfers (to) from other funds	(149,635)	(132,629)	17,006
Total other financing sources (uses)	(149,635)	(132,629)	17,006
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (64,182)	\$ (64,182)
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (64,182)	
Reconciling items:			
Capital outlay		28,144	
Transfer in projects		265,988	
Grant proceeds from project		124,593	
Debt principal		165,030	
Change in accrued vacation pay		(1,644)	
Depreciation		(232,294)	
Increase in other post-employment benefits		(19,161)	
Total reconciling items		330,656	
Change in net position		\$ 266,474	

## 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, 2013

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Revenues:</b>				
Restricted intergovernmental	\$ 350,000	\$ 225,409	\$ 124,593	\$ 350,002
Total revenues	<u>350,000</u>	<u>225,409</u>	<u>124,593</u>	<u>350,002</u>
<b>Expenditures:</b>				
Construction costs	784,724	580,730	390,581	971,311
Total expenditures	<u>784,724</u>	<u>580,730</u>	<u>390,581</u>	<u>971,311</u>
Revenues over (under) expenditures	<u>(434,724)</u>	<u>(355,321)</u>	<u>(265,988)</u>	<u>(621,309)</u>
<b>Other Financing Sources (Uses):</b>				
Transfer in	434,724	355,321	265,988	621,309
Total other financing sources (uses)	<u>434,724</u>	<u>355,321</u>	<u>265,988</u>	<u>621,309</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</u>	

GATES COUNTY, NORTH CAROLINA

AGENCY FUNDS  
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>Social Services:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,895	\$ 20,094	\$ (20,488)	\$ 2,501
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ 2,895	\$ 20,094	\$ (20,488)	\$ 2,501
<b>DMV Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 946	\$ 5,743	\$ (5,743)	\$ 946
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ 946	\$ 5,743	\$ (5,743)	\$ 946
<b>Drainage District I:</b>				
<b>Assets:</b>				
Receivables	\$ 61	\$ 902	\$ (905)	\$ 58
<b>Liabilities:</b>				
Miscellaneous	\$ 61	\$ 902	\$ (905)	\$ 58
<b>Drainage District II:</b>				
<b>Assets:</b>				
Receivables	\$ 250	\$ 5,991	\$ (6,007)	\$ 234
<b>Liabilities:</b>				
Miscellaneous	\$ 250	\$ 5,991	\$ (6,007)	\$ 234
<b>Drainage District III:</b>				
<b>Assets:</b>				
Receivables	\$ 59	\$ 1,313	\$ (1,316)	\$ 56
<b>Liabilities:</b>				
Miscellaneous	\$ 59	\$ 1,313	\$ (1,316)	\$ 56

GATES COUNTY, NORTH CAROLINA

AGENCY FUNDS  
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>Town of Gatesville:</b>				
<b>Assets:</b>				
Receivables	\$ 2,389	\$ 55,633	\$ (55,689)	\$ 2,333
<b>Liabilities:</b>				
Miscellaneous	\$ 2,389	\$ 55,633	\$ (55,689)	\$ 2,333
<b>Totals - All Agency Funds:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 3,841	\$ 25,837	\$ (26,231)	\$ 3,447
Receivables	2,759	63,839	(63,917)	2,681
Total assets	<u>\$ 6,600</u>	<u>\$ 89,676</u>	<u>\$ (90,148)</u>	<u>\$ 6,128</u>
<b>Liabilities:</b>				
Miscellaneous liabilities	<u>\$ 6,600</u>	<u>\$ 89,676</u>	<u>\$ (90,148)</u>	<u>\$ 6,128</u>

## GATES COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND  
JUNE 30, 2013

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2012</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 5,859,309	\$ 5,567,016	\$ 292,293
2011-2012	323,521	-	242,304	81,217
2010-2011	90,625	-	45,383	45,242
2009-2010	58,930	-	17,733	41,197
2008-2009	53,429	-	10,553	42,876
2007-2008	41,646	-	4,389	37,257
2006-2007	31,941	-	4,217	27,724
2005-2006	25,751	-	2,435	23,316
2004-2005	27,731	-	1,856	25,875
2003-2004	18,801	-	1,203	17,598
2002-2003	21,495	-	21,495	-
Total	<u>\$ 693,870</u>	<u>\$ 5,859,309</u>	<u>\$ 5,918,584</u>	634,595
Less: Allowance for uncollectible accounts				<u>(287,533)</u>
Ad valorem taxes receivable - net: General Fund				<u>\$ 347,062</u>
<b>Reconciliation with Revenues:</b>				
Taxes - ad valorem - General Fund				\$ 6,118,577
Reconciling items:				
Penalties and interest				(75,308)
Refunds and other adjustments				(20,684)
Miscellaneous adjustments				(125,496)
Amounts written off per Statute of Limitations				<u>21,495</u>
Total collections and credits				<u>\$ 5,918,584</u>

## GATES COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2013

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 915,707,656	0.640	\$ 5,860,529	\$ 5,314,689	\$ 545,840
Total	<u>915,707,656</u>	0.640	<u>5,860,529</u>	<u>5,314,689</u>	<u>545,840</u>
<b>Discoveries:</b>					
Current year taxes	<u>3,041,250</u>		<u>19,464</u>	<u>19,464</u>	<u>-</u>
<b>Abatements</b>	<u>(3,231,875)</u>		<u>(20,684)</u>	<u>(15,326)</u>	<u>(5,358)</u>
Total property valuation	<u>\$ 915,517,031</u>				
<b>Net Levy</b>			5,859,309	5,318,827	540,482
Uncollected taxes at June 30, 2013			<u>(292,293)</u>	<u>(187,946)</u>	<u>(104,347)</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 5,567,016</u>	<u>\$ 5,130,881</u>	<u>\$ 436,135</u>
<b>Current Levy Collection Percentage</b>			<u>95.01%</u>	<u>96.47%</u>	<u>80.69%</u>

*This page left blank intentionally.*

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

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

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

### **Independent Auditor's Report**

To the Board of Commissioners  
Gates County  
Gatesville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable of the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the government activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gates County, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 31, 2013.

### **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 over financial reporting that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency, 2013-001 described in the accompanying Schedule of Findings, Responses, and Questioned Costs to be a material weakness.

## **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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Gates County's Response to Findings**

Gates County's response to the finding identified in our audit is 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 the financial statements and accordingly, we express no opinion on it.

## **Purpose of this Report**

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

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
October 31, 2013

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

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

## **Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; in Accordance with OMB Circular A-133 And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

To the Board of Commissioners  
Gates County  
Gatesville, North Carolina

#### **Report On Compliance for Each Major Federal Program**

We have audited the compliance of Gates County with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. 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, 2013.

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

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
October 31, 2013

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

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

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

### **Independent Auditor's Report**

To the Board of Commissioners  
Gates County  
Gatesville, North Carolina

#### **Report On Compliance for Each Major State Program**

We have audited the compliance of Gates County with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Gates County's major State programs for the year ended June 30, 2013. 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, 2013.

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

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
October 31, 2013

# GATES COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

### 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>      </u>	Yes	<u>  X  </u> None reported
Non-compliance material to financial statements noted?	<u>      </u>	Yes	<u>  X  </u> No

#### Federal Awards

Internal control over major federal programs:			
• Material weaknesses identified?	<u>      </u>	Yes	<u>  X  </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, Audits of States, Local Governments, and Non-Profit Organizations, Section .510(a)?			
	<u>      </u>	Yes	<u>  X  </u> No

Identification of major federal programs:

<u>Federal Program/Cluster Name</u>	<u>CFDA#</u>
Medicaid Cluster	93.720, 93.775, 93.777, 93.778

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$300,000</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, 2013

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

#### 2013-001

**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.

### 3. Federal Award Findings, Responses, and Questioned Costs

None reported

### 4. State Award Findings, Responses, and Questioned Costs

None reported

**GATES COUNTY, NORTH CAROLINA**

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Finding:** 2012-01

**Status:** Repeated as 2013-001

## GATES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

<u>Grantor / Pass-Through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
<b>Federal Awards:</b>			
<b>U.S. Department of Agriculture</b>			
<b>Food and Nutrition Service:</b>			
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	\$ 123,601	\$ -
Total Supplemental Nutrition Assist. Program Cluster		<u>123,601</u>	<u>-</u>
<b>Passed-through the NC Department of Health and Human Services:</b>			
<b>Division of Public Health:</b>			
Direct Benefit Payments:			
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	<u>175,054</u>	<u>-</u>
<b>U.S. Department of Transportation</b>			
<b>Federal Transit Administration:</b>			
Passed-through the N.C. Department of Transportation:			
Grant for Sunbury VFD		-	25,000
Formula Grants for Other Than Urbanized Areas	20.509	<u>182,909</u>	<u>16,510</u>
Total U.S. Department of Transportation		<u>182,909</u>	<u>41,510</u>
<b>U.S. Department of Homeland Security</b>			
Passed-through NC Department of Crime Control and Public Safety:			
New Generation Leadership Grant	97.005	16,642	-
Homeland Security Grant	97.005	5,088	-
Emergency Management Performance Grant	97.042	<u>35,503</u>	<u>-</u>
Total U.S. Department of Homeland Security		<u>57,233</u>	<u>-</u>
<b>U.S. Department of Health and Human Services</b>			
<b>Administration for Children and Families</b>			
Passed-through the NC Dept. of Health and Human Services:			
Division of Social Services:			
<u>Foster Care and Adoption Cluster:</u>			
Title IV-E Foster Care - Administration	93.658	22,160	-
Adoption Assistance - Direct Benefit	93.659	<u>4,563</u>	<u>1,204</u>
Total Foster Care and Adoption Cluster		<u>26,723</u>	<u>1,204</u>
<b><u>Temporary Assistance for Needy Families Cluster:</u></b>			
Temporary Assistance for Needy Families (TANF)/Work First	93.558	114,935	-
TANF/ Work First- Direct Benefit Payments	93.558	<u>83,900</u>	<u>-</u>
Total TANF Cluster		<u>198,835</u>	<u>-</u>

## GATES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

Grantor / Pass-Through Grantor / Program Title	CFDA Number	Expenditures	
		Federal	State
NC Child Support Enforcement Section	93.563	185,037	
Low-Income Home Energy Assistance Block Grant: Administration	93.568	92,562	-
Child Welfare Services - State Grants			
Permanency Planning - Families for Kids	93.645	512	-
SSBG - Other Service and Training	93.667	92,312	6,613
<b>Division of Child Development:</b>			
Subsidized Child Care (Note 2)			
<b>Child Care Development Fund Cluster:</b>			
<b>Division of Social Services:</b>			
Child Care Development Fund- Administration	93.596	77,219	-
<b>Division of Child Development:</b>			
Child Care and Development Fund - Discretionary	93.575	132,763	-
Child Care and Development Fund - Mandatory	93.596	56,640	-
Child Care and Development Fund - Match	93.596	17,756	-
Total Child Care Fund Cluster		284,378	-
Temporary Assistance for Needy Families ARRA- Emergency Contingency Fund for Temporary Assistance for Needy Families	93.558	71,486	-
Foster Care Title IV-E	93.658	3,120	1,528
Smart Start		-	(703)
TANF - MOE		-	10,598
Total Subsidized Childcare Cluster		358,984	11,423
<b>Centers for Medicare and Medicaid Services:</b>			
Passed-through the N.C. Department of Health and Human Services:			
<b>Division of Medical Assistance:</b>			
Direct Benefit Payments:			
Medical Assistance Program	93.778	7,721,869	4,360,578
<b>Division of Social Services:</b>			
Administration:			
Medical Assistance Program	93.778	244,085	7,236
State Children's Insurance Program - N.C. Health Choice	93.767	23,255	463
<b>U.S. Department of Housing and Urban Development:</b>			
Passed-through N.C. Department of Commerce:			
<b>CDBG - State-Administered Small Cities Program Cluster</b>			
<b>Community Development Block Grant:</b>			
Community Transformation Grant	14.228	4,697	
Urgent Repair Program	14.228	37,500	
Capacity Building Grant	14.228	85,191	
Economic Development Grant	14.228	350,000	
Small Cities Program	14.228	29,296	-
Total CDBG- State-Adm Small Cities Program Cluster		506,684	-

## GATES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

<u>Grantor / Pass-Through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
Total U.S. Department of Housing and Urban Development		506,684	-
<b>Total Federal Awards</b>		<u>9,989,655</u>	<u>4,449,577</u>
<b>State Awards:</b>			
<b>N.C. Department of Administration:</b>			
Veterans Service			<u>1,452</u>
<b>N.C. Department of Health and Human Services:</b>			
<b>Division of Aging and Adult Services:</b>			
Seniors' Health Insurance Information Program (SHIIP)			4,617
Home and Community Care Block Grant			<u>42,353</u>
Total N.C. Department of Health and Human Services			<u>46,970</u>
<b>NC Department of Public Safety</b>			
Juvenile Crime Prevention Program			35,566
CBA Genesis			<u>30,840</u>
Total N.C. Department of Juvenile Justice and Delinquency Prevention			<u>66,406</u>
<b>N.C. Department of Public Instruction:</b>			
Public School Building Capital Fund - Lottery Proceeds			<u>122,481</u>
<b>N.C Department of Environment &amp; Natural Resources</b>			
Soil and Water Conservation			<u>20,550</u>
<b>N.C. Department of Transportation:</b>			
Rural Operating Assistance Program (ROAP)			
ROAP Elderly and Disabled Transportation Assistance Program			44,470
ROAP Rural General Public Program			47,076
ROAP Work First Transitional- Employment			<u>5,946</u>
Total ROAP			<u>97,492</u>
<b>Total State Awards</b>			<u>355,351</u>
<b>Total Federal and State Awards</b>		<u>\$ 9,989,655</u>	<u>\$ 4,804,928</u>

**GATES COUNTY, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

**1. Basis of Presentation**

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

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