

**GATES COUNTY
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

**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, 2016

FINANCE OFFICER: SANDY PITTMAN

GATES COUNTY, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Gates County
Gatesville, North Carolina

Report On the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gates County, North Carolina, as of and for the year ended June 30, 2016, 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 did not audit the financial statements of the Gates County ABC Board. Those financial statements were audited by another auditor whose report has been furnished to us and, our opinion, insofar as it related to the amounts included for the Gates County ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. The financial statements of the 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gates County, North Carolina, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gates County's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 by us and the other auditors. In our opinion, based on our audit procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated December 9, 2016, on our consideration of Gates County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gates County's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
December 9, 2016

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Management's Discussion and Analysis

As management of Gates County, we offer readers of Gates County's financial statements this narrative overview and analysis of the financial activities of Gates County for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

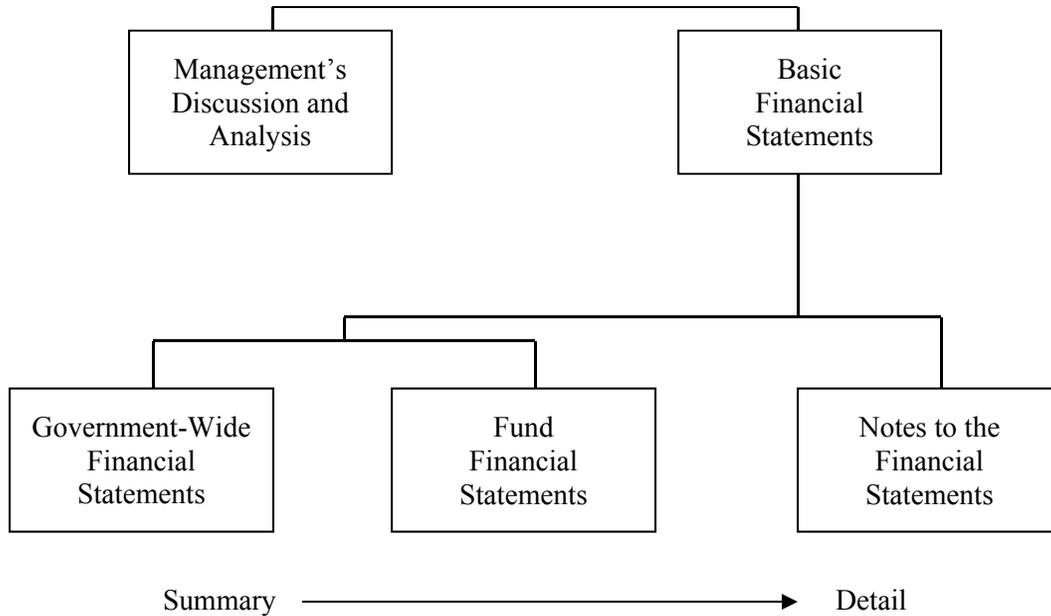
- The assets and deferred outflows of resources of Gates County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,758,508 (*net position*).
- The County's total net position increased by \$1,538,087.
- As of the close of the current fiscal year, Gates County's total governmental funds reported combined ending fund balances of \$4,477,957, an increase of \$273,513 from 2015.
- At the end of the current fiscal year, total fund balance for the General Fund was \$4,169,609, an increase of \$277,916 from 2015; \$191,468 of this fund balance amount represents fund balance for the Revaluation and USDA loan reserve funds that are consolidated into the General Fund as part of GASB 54 reporting requirements.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

Gates County's Net Position

Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets:						
Current and other assets	\$ 4,974,745	\$ 5,089,471	\$ 2,420,961	\$ 2,519,635	\$ 7,395,706	\$ 7,609,106
Capital assets	<u>6,877,281</u>	<u>6,635,559</u>	<u>5,757,547</u>	<u>5,457,698</u>	<u>12,634,828</u>	<u>12,093,257</u>
Total assets	<u>11,852,026</u>	<u>11,725,030</u>	<u>8,178,508</u>	<u>7,977,333</u>	<u>20,030,534</u>	<u>19,702,363</u>
Deferred Outflows of Resources	<u>195,052</u>	<u>187,669</u>	<u>12,135</u>	<u>11,918</u>	<u>207,187</u>	<u>199,587</u>
Liabilities:						
Current liabilities	1,176,352	1,274,518	115,251	295,105	1,291,603	1,569,623
Other liabilities	<u>5,871,831</u>	<u>6,279,933</u>	<u>181,357</u>	<u>166,091</u>	<u>6,053,188</u>	<u>6,446,024</u>
Total liabilities	<u>7,048,183</u>	<u>7,554,451</u>	<u>296,608</u>	<u>461,196</u>	<u>7,344,791</u>	<u>8,015,647</u>
Deferred Inflows of Resources	<u>127,823</u>	<u>627,047</u>	<u>6,599</u>	<u>38,835</u>	<u>134,422</u>	<u>665,882</u>
Net Position:						
Net investment in						
capital assets	5,412,889	4,765,809	5,757,547	5,283,709	11,170,436	10,049,518
Restricted:						
Stabilization for State statute	952,594	1,210,578	-	-	952,594	1,210,578
All other	167,653	345,115	-	-	167,653	345,115
Unrestricted	<u>(1,662,064)</u>	<u>(2,590,301)</u>	<u>2,129,889</u>	<u>2,205,511</u>	<u>467,825</u>	<u>(384,790)</u>
Total net position	<u>\$ 4,871,072</u>	<u>\$ 3,731,201</u>	<u>\$ 7,887,436</u>	<u>\$ 7,489,220</u>	<u>\$ 12,758,508</u>	<u>\$ 11,220,421</u>

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. For Gates County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$12,758,508 at the close of the most recent fiscal year. The County's net position increased by \$1,538,087 for the fiscal year ended June 30, 2016.

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 \$11,170,436, which represents 88% 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 unrestricted net position in the amount of \$467,825 for the government as a whole. It should be noted that the County is carrying roughly \$3.0 million in debt related to schools. Schools are not recorded as assets on the County's books; they are recorded as assets by the Board of Education.

Gates County's Changes in Net Position
Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,124,942	\$ 1,843,479	\$ 1,941,205	\$ 1,973,772	\$ 4,066,147	\$ 3,817,251
Operating grants and contributions	562,468	1,197,790	-	-	562,468	1,197,790
Capital grants and contributions	111,930	112,301	-	-	111,930	112,301
General revenues:						
Property taxes	6,300,874	6,283,112	-	-	6,300,874	6,283,112
Local option sales tax	2,017,450	2,013,596	-	-	2,017,450	2,013,596
Other taxes	463,649	459,524	-	-	463,649	459,524
Investment earnings	<u>10,984</u>	<u>11,624</u>	<u>7,430</u>	<u>6,463</u>	<u>18,414</u>	<u>18,087</u>
Total revenues	<u>11,592,297</u>	<u>11,921,426</u>	<u>1,948,635</u>	<u>1,980,235</u>	<u>13,540,932</u>	<u>13,901,661</u>
Expenses:						
General government	1,793,421	1,923,442	-	-	1,793,421	1,923,442
Public safety	2,050,570	2,676,556	-	-	2,050,570	2,676,556
Economic and physical development	955,091	1,014,649	-	-	955,091	1,014,649
Human services	2,134,425	2,102,232	-	-	2,134,425	2,102,232
Cultural and recreation	314,944	357,401	-	-	314,944	357,401
Education	2,714,000	2,716,000	-	-	2,714,000	2,716,000
Interest on long-term debt	139,776	143,425	-	-	139,776	143,425
Water	-	-	1,053,830	947,551	1,053,830	947,551
Landfill	-	-	<u>846,788</u>	<u>869,202</u>	<u>846,788</u>	<u>869,202</u>
Total expenses	<u>10,102,227</u>	<u>10,933,705</u>	<u>1,900,618</u>	<u>1,816,753</u>	<u>12,002,845</u>	<u>12,750,458</u>
Change in net position before transfers	1,490,070	987,721	48,017	163,482	1,538,087	1,151,203
Transfers	<u>(350,199)</u>	<u>-</u>	<u>350,199</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position after transfers	<u>1,139,871</u>	<u>987,721</u>	<u>398,216</u>	<u>163,482</u>	<u>1,538,087</u>	<u>1,151,203</u>
Net Position:						
Beginning of year - July 1	3,731,201	3,050,685	7,489,220	7,346,696	11,220,421	10,397,381
Restatement	<u>-</u>	<u>(307,205)</u>	<u>-</u>	<u>(20,958)</u>	<u>-</u>	<u>(328,163)</u>
Beginning of year - July 1, as restated	<u>3,731,201</u>	<u>2,743,480</u>	<u>7,489,220</u>	<u>7,325,738</u>	<u>11,220,421</u>	<u>10,069,218</u>
End of year - June 30	<u>\$ 4,871,072</u>	<u>\$ 3,731,201</u>	<u>\$ 7,887,436</u>	<u>\$ 7,489,220</u>	<u>\$ 12,758,508</u>	<u>\$ 11,220,421</u>

Governmental Activities. Governmental activities increased the County's net position by \$1,139,871. Key elements of this increase are as follows:

- Increases in property and local option sales taxes over fiscal year 2015 amounts
- Numerous appropriations carried forward into FY17

Business-Type Activities. Business-type activities increased Gates County's net position by \$398,216.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, Gates County's governmental funds reported combined ending fund balances of \$4,477,957, an increase of \$273,513 in comparison with 2015. This increase is attributable primarily to increased fund balance in the General Fund.

The General Fund is the principal operating fund of Gates County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,798,218 while total fund balance for the General Fund was \$4,169,609. 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 26.4% of total General Fund expenditures while total fund balance represents 39.3% of that same amount. Available fund balance, which is total fund balance less non-spendable fund balance less stabilization by State statute amounts, totaled \$3,230,412 for the General Fund.

General Fund Budgetary Highlights

During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available, 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants, and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by approximately \$265,000 (2%).

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

Unrestricted net position at June 30, 2016 was \$245,718 and \$1,884,171 for the Landfill Fund and the Water Fund, respectively.

Capital Asset and Debt Administration

Capital Assets. The County reported capital assets for its governmental and business-type activities of \$12,634,828 (net of accumulated depreciation) as of June 30, 2016. 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 1,138,007	\$ 1,138,007	\$ 27,476	\$ 27,476	\$ 1,165,483	\$ 1,165,483
Construction in progress	411,361	391,102	1,840,348	1,316,103	2,251,709	1,707,205
Buildings	5,795,252	5,795,252	-	-	5,795,252	5,795,252
Other improvements	714,183	636,971	-	-	714,183	636,971
Equipment	1,394,549	958,476	437,041	437,041	1,831,590	1,395,517
Vehicles	1,208,001	1,134,080	223,863	234,386	1,431,864	1,368,466
Plant and systems	-	-	9,140,453	9,140,453	9,140,453	9,140,453
Subtotal	10,661,353	10,053,888	11,669,181	11,155,459	22,330,534	21,209,347
Less accumulated depreciation	<u>(3,784,072)</u>	<u>(3,418,329)</u>	<u>(5,911,634)</u>	<u>(5,697,761)</u>	<u>(9,695,706)</u>	<u>(9,116,090)</u>
Total	<u>\$ 6,877,281</u>	<u>\$ 6,635,559</u>	<u>\$ 5,757,547</u>	<u>\$ 5,457,698</u>	<u>\$ 12,634,828</u>	<u>\$ 12,093,257</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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Notes payable	\$ 4,064,392	\$ 4,903,084	\$ -	\$ 173,989	\$ 4,064,392	\$ 5,077,073
Compensated absences	296,320	257,647	18,012	20,826	314,332	278,473
LEO	181,448	165,112	-	-	181,448	165,112
OPEB	2,046,494	1,857,194	164,152	151,760	2,210,646	2,008,954
Pension liability-LGERS	198,994	-	12,702	-	211,696	-
Total	<u>\$ 6,787,648</u>	<u>\$ 7,183,037</u>	<u>\$ 194,866</u>	<u>\$ 346,575</u>	<u>\$ 6,982,514</u>	<u>\$ 7,529,612</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 \$74,291,483.

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, increased from \$.64 to \$.68. The increase is to offset additional funding request from EMS.
- 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 2016 unadjusted unemployment rate stands at 5%.

All of these factors were considered in preparing Gates County's budget for the 2016-2017 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities. During FY 2016-2017, Gates County will continue to control the cost of government while growing revenue through property tax base and sales tax growth. The County will strive for continuous improvement and efficiency in all governmental service areas and update fiscal policies as appropriate.

Enterprise Activities. In FY 2016-2017 the water and sewer rates will remain steady. Solid waste will remain steady with no rate increase planned. Operation and maintenance of the respective systems (water, sewer, and solid waste) will continue. Repair work as necessary will take place on the system. It is anticipated construction will begin on the new wastewater treatment plant.

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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Gates County ABC Board
Assets:				
Current assets:				
Cash and cash equivalents	\$ 3,546,802	\$ 1,923,558	\$ 5,470,360	\$ 27,083
Taxes receivable, net	258,811	-	258,811	-
Accounts receivable, net	22,955	454,610	477,565	-
Due from other governments	928,382	4,887	933,269	-
Inventory	-	37,906	37,906	141,157
Prepaid items	-	-	-	1,766
Total current assets	<u>4,756,950</u>	<u>2,420,961</u>	<u>7,177,911</u>	<u>170,006</u>
Non-current assets:				
Net pension asset	21,851	-	21,851	-
Restricted assets:				
Cash and cash equivalents, restricted	195,944	-	195,944	-
Total restricted assets	<u>195,944</u>	<u>-</u>	<u>195,944</u>	<u>-</u>
Capital assets:				
Non-depreciable capital assets	1,549,368	1,867,824	3,417,192	-
Depreciable capital assets, net	5,327,913	3,889,723	9,217,636	602,748
Total capital assets	<u>6,877,281</u>	<u>5,757,547</u>	<u>12,634,828</u>	<u>602,748</u>
Total non-current assets	<u>7,095,076</u>	<u>5,757,547</u>	<u>12,852,623</u>	<u>602,748</u>
Total assets	<u>11,852,026</u>	<u>8,178,508</u>	<u>20,030,534</u>	<u>772,754</u>
Deferred Outflows of Resources:				
Contributions to pension plan in current fiscal year	174,664	10,964	185,628	220
Pension deferrals	20,388	1,171	21,559	-
Total deferred outflows of resources	<u>195,052</u>	<u>12,135</u>	<u>207,187</u>	<u>220</u>
Liabilities, Deferred Inflows of Resources, and Net Position:				
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	260,535	101,742	362,277	56,520
Current portion of compensated absences	74,080	13,509	87,589	-
Current portion of long-term liabilities	841,737	-	841,737	-
Total current liabilities	<u>1,176,352</u>	<u>115,251</u>	<u>1,291,603</u>	<u>56,520</u>
Long-term liabilities:				
Net pension liability - LGERS	198,994	12,702	211,696	1,481
Due in more than one year	5,672,837	168,655	5,841,492	-
Total non current liabilities	<u>5,871,831</u>	<u>181,357</u>	<u>6,053,188</u>	<u>1,481</u>
Total liabilities	<u>7,048,183</u>	<u>296,608</u>	<u>7,344,791</u>	<u>58,001</u>
Deferred Inflows of Resources:				
Prepaid taxes	23,657	-	23,657	-
Pension deferrals	104,166	6,599	110,765	916
Total deferred inflows of resources	<u>127,823</u>	<u>6,599</u>	<u>134,422</u>	<u>916</u>
Net Position:				
Net investment in capital assets	5,412,889	5,757,547	11,170,436	602,748
Restricted:				
Stabilization for State statute	952,594	-	952,594	-
All other	167,653	-	167,653	20,322
Unrestricted	(1,662,064)	2,129,889	467,825	90,987
Total net position	<u>\$ 4,871,072</u>	<u>\$ 7,887,436</u>	<u>\$ 12,758,508</u>	<u>\$ 714,057</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, 2016

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 1,793,421	\$ 258,287	\$ -	\$ -
Public safety	2,050,570	82,358	843	-
Economic and physical development	955,091	20,665	260,248	-
Human services	2,134,425	1,763,632	301,377	-
Cultural and recreational	314,944	-	-	-
Education	2,714,000	-	-	111,930
Interest on long-term debt	139,776	-	-	-
Total governmental activities	<u>10,102,227</u>	<u>2,124,942</u>	<u>562,468</u>	<u>111,930</u>
Business-Type Activities:				
Landfill Fund	846,788	784,386	-	-
Water Fund	<u>1,053,830</u>	<u>1,156,819</u>	-	-
Total business-type activities	<u>1,900,618</u>	<u>1,941,205</u>	-	-
Total primary government	<u>\$ 12,002,845</u>	<u>\$ 4,066,147</u>	<u>\$ 562,468</u>	<u>\$ 111,930</u>
Component Unit:				
ABC Board	<u>\$ 699,698</u>	<u>\$ 688,000</u>	<u>\$ -</u>	<u>\$ -</u>

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Net (Expense) Revenue and Changes in Net Position			Component Unit Gates County ABC Board
	Primary Government		Total	
	Governmental Activities	Business-Type Activities		
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ (1,535,134)	\$ -	\$ (1,535,134)	
Public safety	(1,967,369)	-	(1,967,369)	
Economic and physical development	(674,178)	-	(674,178)	
Human services	(69,416)	-	(69,416)	
Cultural and recreational	(314,944)	-	(314,944)	
Education	(2,602,070)	-	(2,602,070)	
Interest on long-term debt	(139,776)	-	(139,776)	
Total governmental activities	<u>(7,302,887)</u>	<u>-</u>	<u>(7,302,887)</u>	
Business-Type Activities:				
Landfill Fund	-	(62,402)	(62,402)	
Water Fund	-	102,989	102,989	
Total business-type activities	<u>-</u>	<u>40,587</u>	<u>40,587</u>	
Total primary government	<u>(7,302,887)</u>	<u>40,587</u>	<u>(7,262,300)</u>	
Component Unit:				
ABC Board				\$ <u>(11,698)</u>
General Revenues:				
Taxes:				
Property taxes, levied for general purpose	6,300,874	-	6,300,874	-
Local option sales tax	2,017,450	-	2,017,450	-
Other taxes and licenses	463,649	-	463,649	-
Investment earnings, unrestricted	10,984	7,430	18,414	-
Total general revenues	<u>8,792,957</u>	<u>7,430</u>	<u>8,800,387</u>	-
Transfers	<u>(350,199)</u>	<u>350,199</u>	<u>-</u>	-
Total general revenues and transfers	<u>8,442,758</u>	<u>357,629</u>	<u>8,800,387</u>	-
Change in net position	1,139,871	398,216	1,538,087	(11,698)
Net Position:				
Beginning of year - July 1	<u>3,731,201</u>	<u>7,489,220</u>	<u>11,220,421</u>	<u>725,755</u>
End of year - June 30	<u>\$ 4,871,072</u>	<u>\$ 7,887,436</u>	<u>\$ 12,758,508</u>	<u>\$ 714,057</u>

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

GATES COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 3,236,140	\$ 307,475	\$ 3,543,615
Taxes receivable, net	258,811	-	258,811
Accounts receivable, net	10,702	12,253	22,955
Due from other governments	927,238	1,144	928,382
Due from other funds	1,257	-	1,257
Cash and cash equivalents, restricted	195,944	-	195,944
Total assets	<u>\$ 4,630,092</u>	<u>\$ 320,872</u>	<u>\$ 4,950,964</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 178,015	\$ 11,267	\$ 189,282
Due to other funds	-	1,257	1,257
Total liabilities	<u>178,015</u>	<u>12,524</u>	<u>190,539</u>
Deferred Inflows of Resources:			
Property taxes receivable	258,811	-	258,811
Prepaid taxes	23,657	-	23,657
Total deferred inflows of resources	<u>282,468</u>	<u>-</u>	<u>282,468</u>
Fund Balances:			
Restricted:			
Stabilization for State statute	939,197	13,397	952,594
Restricted, all other	4,476	163,177	167,653
Committed	191,468	133,031	324,499
Assigned	236,250	-	236,250
Unassigned	<u>2,798,218</u>	<u>(1,257)</u>	<u>2,796,961</u>
Total fund balances	<u>4,169,609</u>	<u>308,348</u>	<u>4,477,957</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,630,092</u>	<u>\$ 320,872</u>	

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

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	6,877,281
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net position in the Statement of Net Position.	258,811
Net pension asset	21,851
Net pension liability	(198,994)
Contributions to pension plans in the current fiscal year and pension deferrals are deferred outflows of resources on the Statement of Net Position.	174,664
Pension related deferrals	(83,778)
Long-term liabilities, accrued interest, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(6,659,907)
The assets and liabilities of the Internal Service Fund is included in the governmental activities in the Statement of Net Position.	<u>3,187</u>
Net position of governmental activities, per Exhibit A	<u>\$ 4,871,072</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, 2016

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 6,324,989	\$ -	\$ 6,324,989
Local option sales taxes	2,017,450	-	2,017,450
Other taxes and licenses	26,428	376,104	402,532
Unrestricted intergovernmental revenues	61,117	-	61,117
Restricted intergovernmental revenues	2,429,621	843	2,430,464
Permits and fees	128,666	-	128,666
Sales and services	174,941	-	174,941
Investment earnings	10,353	631	10,984
Miscellaneous	65,269	-	65,269
Total revenues	<u>11,238,834</u>	<u>377,578</u>	<u>11,616,412</u>
Expenditures:			
Current:			
General government	1,870,847	20,259	1,891,106
Public safety	1,580,586	361,722	1,942,308
Economic and physical development	839,144	-	839,144
Human services	2,005,642	-	2,005,642
Cultural and recreational	630,700	-	630,700
Education	2,714,000	-	2,714,000
Debt service:			
Principal	838,692	-	838,692
Interest	131,108	-	131,108
Total expenditures	<u>10,610,719</u>	<u>381,981</u>	<u>10,992,700</u>
Revenues over (under) expenditures	<u>628,115</u>	<u>(4,403)</u>	<u>623,712</u>
Other Financing Sources (Uses):			
Transfer to other funds	<u>(350,199)</u>	<u>-</u>	<u>(350,199)</u>
Net change in fund balances	277,916	(4,403)	273,513
Fund Balances:			
Beginning of year - July 1	<u>3,891,693</u>	<u>312,751</u>	<u>4,204,444</u>
End of year - June 30	<u>\$ 4,169,609</u>	<u>\$ 308,348</u>	<u>\$ 4,477,957</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, 2016**

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)	\$ 273,513
<p>Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:</p>	
Property taxes	(24,115)
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.	638,736
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(397,014)
Change in deferred outflow - pension	7,383
Change in deferred inflows - pension	505,041
Change in net pension asset and liability	(449,388)
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.)	838,692
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.	(189,300)
The change in the accrued interest liability account is reported as an expense in the entity-wide financial statements. However, it is not an expenditure in the governmental funds statement.	(8,668)
Expenses that do not require current financial resources are not reported in expenditures in the governmental funds statement.	
Compensated absences	(38,673)
Law Enforcement Officers' Separation	<u>(16,336)</u>
Total changes in net position of governmental activities	<u>\$ 1,139,871</u>

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

GATES COUNTY, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund			Variance from Final Budget Over/Under
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 6,226,500	\$ 6,226,500	\$ 6,324,989	\$ 98,489
Local option sales taxes	1,854,000	1,854,000	2,017,450	163,450
Other taxes and licenses	27,000	27,000	26,428	(572)
Unrestricted intergovernmental revenues	67,600	67,600	61,117	(6,483)
Restricted intergovernmental revenues	2,291,443	2,616,703	2,429,621	(187,082)
Permits and fees	107,700	107,700	128,666	20,966
Sales and services	139,483	139,483	174,941	35,458
Investment earnings	9,000	9,000	10,353	1,353
Miscellaneous	39,950	39,950	65,269	25,319
Total revenues	<u>10,762,676</u>	<u>11,087,936</u>	<u>11,238,834</u>	<u>150,898</u>
Expenditures:				
Current:				
General government	1,882,518	2,075,779	1,821,014	254,765
Public safety	1,735,423	1,776,534	1,580,586	195,948
Economic and physical development	1,036,560	1,073,959	839,144	234,815
Human services	2,161,850	2,180,951	2,005,642	175,309
Cultural and recreational	327,000	630,700	630,700	-
Intergovernmental:				
Education	2,714,000	2,714,000	2,714,000	-
Debt service:				
Principal retirement	838,692	838,692	838,692	-
Interest and other charges	131,108	131,108	131,108	-
Total expenditures	<u>10,827,151</u>	<u>11,421,723</u>	<u>10,560,886</u>	<u>860,837</u>
Revenues over (under) expenditures	<u>(64,475)</u>	<u>(333,787)</u>	<u>677,948</u>	<u>1,011,735</u>
Other Financing Sources (Uses):				
Transfers from other funds	16,225	16,225	16,225	-
Transfers to other funds	(33,750)	(467,151)	(383,949)	83,202
Appropriated fund balance	82,000	784,713	-	(784,713)
Total other financing sources (uses)	<u>64,475</u>	<u>333,787</u>	<u>(367,724)</u>	<u>(701,511)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	310,224	<u>\$ 310,224</u>
Fund Balance:				
Beginning of year - July 1			<u>3,667,917</u>	
End of year - June 30			<u>\$ 3,978,141</u>	

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Major Enterprise Funds			Internal Service Fund
	Landfill Fund	Water Fund	Total	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 46,093	\$ 1,877,465	\$ 1,923,558	\$ 3,187
Receivables, net	283,886	170,724	454,610	-
Due from other governments	-	4,887	4,887	-
Inventories	-	37,906	37,906	-
Total current assets	<u>329,979</u>	<u>2,090,982</u>	<u>2,420,961</u>	<u>3,187</u>
Non-current assets:				
Capital assets:				
Land, improvements, and construction in progress	-	1,867,824	1,867,824	-
Other capital assets, net of depreciation	3,355	3,886,368	3,889,723	-
Total capital assets	<u>3,355</u>	<u>5,754,192</u>	<u>5,757,547</u>	<u>-</u>
Total assets	<u>333,334</u>	<u>7,845,174</u>	<u>8,178,508</u>	<u>3,187</u>
Deferred Outflows of Resources:				
Contributions to pension plan in current fiscal year	-	10,964	10,964	-
Pension deferrals	-	1,171	1,171	-
Total deferred outflows of resources	<u>-</u>	<u>12,135</u>	<u>12,135</u>	<u>-</u>
Liabilities:				
Current liabilities:				
Accounts payable	84,261	13,875	98,136	-
Other accrued liabilities	-	3,606	3,606	-
Current portion of compensated absences	-	13,509	13,509	-
Total current liabilities	<u>84,261</u>	<u>30,990</u>	<u>115,251</u>	<u>-</u>
Non-current liabilities:				
Net pension liability	-	12,702	12,702	-
Compensated absences	-	4,503	4,503	-
Other post-employment benefits	-	164,152	164,152	-
Total non-current liabilities	<u>-</u>	<u>181,357</u>	<u>181,357</u>	<u>-</u>
Total liabilities	<u>84,261</u>	<u>212,347</u>	<u>296,608</u>	<u>-</u>
Deferred Inflows of Resources:				
Pension deferrals	-	6,599	6,599	-
Net Position:				
Net investment in capital assets	3,355	5,754,192	5,757,547	-
Unrestricted	<u>245,718</u>	<u>1,884,171</u>	<u>2,129,889</u>	<u>3,187</u>
Total net position	<u>\$ 249,073</u>	<u>\$ 7,638,363</u>	<u>\$ 7,887,436</u>	<u>\$ 3,187</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, 2016

	Major Enterprise Funds			Internal Service Fund
	Landfill Fund	Water Fund	Total	
Operating Revenues:				
Charges for services	\$ 735,591	\$ 1,127,333	\$ 1,862,924	\$ -
Water and sewer taps	-	27,250	27,250	-
Miscellaneous	48,795	2,236	51,031	-
Total operating revenues	<u>784,386</u>	<u>1,156,819</u>	<u>1,941,205</u>	<u>-</u>
Operating Expenses:				
Water operations	-	831,890	831,890	-
Landfill operations	842,019	-	842,019	-
Depreciation	4,769	219,627	224,396	-
Total operating expenses	<u>846,788</u>	<u>1,051,517</u>	<u>1,898,305</u>	<u>-</u>
Operating income (loss)	<u>(62,402)</u>	<u>105,302</u>	<u>42,900</u>	<u>-</u>
Non-Operating Revenues (Expenses):				
Investment earnings	306	7,124	7,430	-
Interest expense	<u>-</u>	<u>(2,313)</u>	<u>(2,313)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>306</u>	<u>4,811</u>	<u>5,117</u>	<u>-</u>
Net income (loss) before transfers	<u>(62,096)</u>	<u>110,113</u>	<u>48,017</u>	<u>-</u>
Transfers from other funds	<u>-</u>	<u>350,199</u>	<u>350,199</u>	<u>-</u>
Change in net position	<u>(62,096)</u>	<u>460,312</u>	<u>398,216</u>	<u>-</u>
Net Position:				
Beginning of year - July 1	<u>311,169</u>	<u>7,178,051</u>	<u>7,489,220</u>	<u>3,187</u>
End of year - June 30	<u>\$ 249,073</u>	<u>\$ 7,638,363</u>	<u>\$ 7,887,436</u>	<u>\$ 3,187</u>

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Major Major Enterprise Funds			Internal Service Fund
	Landfill Fund	Water Fund	Total	
Cash Flows from Operating Activities:				
Cash received from customers	\$ 709,475	\$ 1,139,449	\$ 1,848,924	\$ 20
Cash paid for goods and services	(859,737)	(548,856)	(1,408,593)	(101)
Cash paid to employees for services	-	(259,495)	(259,495)	-
Other operating revenues	48,795	2,236	51,031	-
Net cash provided (used) by operating activities	<u>(101,467)</u>	<u>333,334</u>	<u>231,867</u>	<u>(81)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	(524,245)	(524,245)	-
Principal paid on bond maturities and equipment contracts	-	(173,989)	(173,989)	-
Interest paid on bond maturities equipment contracts	-	(2,313)	(2,313)	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(700,547)</u>	<u>(700,547)</u>	<u>-</u>
Cash Flows from Non-Capital and Related Activities:				
Operating transfers (in) out	-	350,199	350,199	-
Net cash provided (used) by non-capital and related financing activities	<u>-</u>	<u>350,199</u>	<u>350,199</u>	<u>-</u>
Cash Flows from Investing Activities:				
Interest on investments	306	7,124	7,430	-
Net increase (decrease) in cash and cash equivalents	(101,161)	(9,890)	(111,051)	(81)
Cash and Cash Equivalents:				
Beginning of year - July 1	147,254	1,887,355	2,034,609	3,268
End of year - June 30	<u>\$ 46,093</u>	<u>\$ 1,877,465</u>	<u>\$ 1,923,558</u>	<u>\$ 3,187</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (62,402)	\$ 105,302	\$ 42,900	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	4,769	219,627	224,396	-
Changes in assets and liabilities:				
(Increase) decrease in deferred outflows - pension	-	199	199	-
(Increase) decrease in net pension asset	-	15,934	15,934	-
Increase (decrease) in net pension liability	-	12,702	12,702	-
Increase (decrease) in deferred inflows - pension	-	(32,652)	(32,652)	-
(Increase) decrease in accounts receivable	(26,116)	(15,134)	(41,250)	20
(Increase) decrease in inventory	-	12,939	12,939	-
Increase (decrease) in accounts payable and accrued liabilities	(17,718)	2,025	(15,693)	(101)
Increase (decrease) in OPEB payable	-	12,392	12,392	-
Total adjustments	<u>(39,065)</u>	<u>228,032</u>	<u>188,967</u>	<u>(81)</u>
Net cash provided (used) by operating activities	<u>\$ (101,467)</u>	<u>\$ 333,334</u>	<u>\$ 231,867</u>	<u>\$ (81)</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, 2016

	<u>Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ 1,308
Receivables	<u>1,977</u>
Total assets	<u>\$ 3,285</u>
Liabilities:	
Miscellaneous liabilities	<u>\$ 3,285</u>
Total liabilities	<u>\$ 3,285</u>

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

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GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

Gates County Alcoholic Beverage Control Board

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

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, 2016

The County reports all of its enterprise funds as major:

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

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

The County reports the following fund types:

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

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

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

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

C. **Measurement Focus, Basis of Accounting**

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds, which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

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

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

D. Budgetary Data

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

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

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.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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) external investment pool.

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 securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

Cash and Cash Equivalents

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

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

Restricted Assets

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

Restricted cash is comprised of the following:

Governmental Activities:

General Fund:

Tax revaluation	\$	191,468
Register of Deeds		<u>4,476</u>
Total restricted cash	\$	<u>195,944</u>

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, 2015.

Allowances for Doubtful Accounts

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

Inventories

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

Capital Assets

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

Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost.

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, 2016

Deferred Outflows/Inflows of Resources

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

Compensated Absences

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

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

Long-Term Obligations

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

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, 2016

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

Restricted fund balance at June 30, 2016 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted, All Other:			
Register of Deeds	\$ 4,476	\$ -	\$ 4,476
Public safety	-	163,177	163,177
Total	<u>\$ 4,476</u>	<u>\$ 163,177</u>	<u>\$ 167,653</u>

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

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

Purpose	General Fund	Other Governmental Funds	Total
Committed, All Other:			
Tax revaluation	\$ 191,468	\$ -	\$ 191,468
Capital improvements	-	133,031	133,031
Total	\$ 191,468	\$ 133,031	\$ 324,499

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

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

Purpose	General Fund	Other Governmental Funds	Total
Subsequent years expenditures	\$ 236,250	\$ -	\$ 236,250
Total assigned fund balance	\$ 236,250	\$ -	\$ 236,250

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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	\$	4,169,609
Less:		
Stabilization by State statute		<u>(939,197)</u>
Total available fund balance	\$	<u><u>3,230,412</u></u>

Defined Benefit Pension Plans

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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	\$	3,978,141
Tax Revaluation Fund:		
Expenditures		(49,833)
Transfer in		33,750
Fund balance, beginning		207,551
USDA Loan Fund:		
Transfer in (out)		(16,225)
Fund balance, beginning		<u>16,225</u>
Fund balance, ending - Exhibit D	\$	<u><u>4,169,609</u></u>

Interfund Transactions

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

Use of Estimates

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

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

2. Stewardship, Compliance, and Accountability

Expenditures Exceeding Appropriations

The County had excess expenditures over appropriations as of June 30, 2016 as follows:

<u>Fund</u>	<u>Amount</u>
Landfill	<u>\$ 38,019</u>

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

3. Detail Notes on All Funds

Deposits

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

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

At June 30, 2016, the County's bank deposits had a carrying amount of \$5,616,295 and a bank balance of \$5,741,814. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$5,491,814 was covered by the Pooling Method. At June 30, 2016, Gates County had \$1,050 cash on hand.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Investments

At June 30, 2016, the County had the following investments and maturities:

Investment Type	Rating	Book Value
North Carolina Capital Management Trust		
Cash Portfolio	AAAm	\$ 50,267
Total investments		\$ 50,267

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, 2016.

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

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

Year Ended June 30	Valuation	Deferred Tax	Total
2013	208,787,436	1,336,240	210,123,676
2014	209,310,852	1,339,590	210,650,442
2015	211,222,895	1,346,363	212,569,258
2016	210,015,854	1,430,763	211,446,617
Total	\$ 839,337,037	\$ 5,452,956	\$ 844,789,993

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

5. Receivables

Receivables at Exhibit A at June 30, 2016, were as follows:

<u>Type of Receivable</u>	<u>Amount (Net of Allowance)</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts Receivable:			
Taxes receivable	\$ 258,811	\$ -	\$ 258,811
Accounts receivable	22,955	-	22,955
Customer/client billings	-	454,610	454,610
Total	<u>\$ 281,766</u>	<u>\$ 454,610</u>	<u>\$ 736,376</u>
Due from Other Governments:			
Local option sales tax	\$ 261,541	\$ -	\$ 261,541
Sales tax refund	29,637	4,887	34,524
All other	637,204	-	637,204
Total	<u>\$ 928,382</u>	<u>\$ 4,887</u>	<u>\$ 933,269</u>

Allowances for Doubtful Accounts

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

<u>Fund</u>	<u>Allowance</u>
Governmental Activities:	
Property taxes - General Fund	\$ 251,037
Total	<u>\$ 251,037</u>
Business-Type Activities:	
Landfill Fund	\$ 98,725
Water Fund	81,387
Total	<u>\$ 180,112</u>

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

6. Capital Assets

Governmental Capital Assets

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

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
Governmental Activities				
Non-Depreciable Assets:				
Land	\$ 1,138,007	\$ -	\$ -	\$ 1,138,007
Construction in progress	<u>391,102</u>	<u>20,259</u>	<u>-</u>	<u>411,361</u>
Total non-depreciable assets	<u>1,529,109</u>	<u>20,259</u>	<u>-</u>	<u>1,549,368</u>
Depreciable Assets:				
Buildings	5,795,252	-	-	5,795,252
Other improvements	636,971	77,212	-	714,183
Equipment	958,476	436,073	-	1,394,549
Vehicles and motorized equipment	<u>1,134,080</u>	<u>105,192</u>	<u>(31,271)</u>	<u>1,208,001</u>
Total depreciable assets	<u>8,524,779</u>	<u>618,477</u>	<u>(31,271)</u>	<u>9,111,985</u>
Less Accumulated Depreciation:				
Buildings	1,917,201	138,907	-	2,056,108
Other improvements	115,895	41,806	-	157,701
Equipment	629,835	73,131	-	702,966
Vehicles and motorized equipment	<u>755,398</u>	<u>143,170</u>	<u>(31,271)</u>	<u>867,297</u>
Total accumulated depreciation	<u>3,418,329</u>	<u>397,014</u>	<u>(31,271)</u>	<u>3,784,072</u>
Depreciable capital assets, net	<u>5,106,450</u>	<u>\$ 221,463</u>	<u>\$ -</u>	<u>5,327,913</u>
Capital assets, net	<u>\$ 6,635,559</u>			<u>\$ 6,877,281</u>

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

Governmental Activities:	
General government	\$ 71,463
Public safety	91,313
Economic and physical development	123,074
Human services	83,373
Cultural and recreational	<u>27,791</u>
Total	<u>\$ 397,014</u>

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2016, are as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
Water Fund:				
Non-Depreciable Assets:				
Land	\$ 27,476	\$ -	\$ -	\$ 27,476
Construction in progress	<u>1,316,103</u>	<u>524,245</u>	<u>-</u>	<u>1,840,348</u>
Total non-depreciable assets	<u>1,343,579</u>	<u>524,245</u>	<u>-</u>	<u>1,867,824</u>
Depreciable Assets:				
Plant and systems	9,134,858	-	-	9,134,858
Furniture and maintenance equipment	437,041	-	-	437,041
Vehicles	<u>223,863</u>	<u>-</u>	<u>-</u>	<u>223,863</u>
Total depreciable assets	<u>9,795,762</u>	<u>-</u>	<u>-</u>	<u>9,795,762</u>
Less Accumulated Depreciation:				
Plant and distribution systems	5,115,417	184,884	-	5,300,301
Furniture and maintenance equipment	402,608	17,691	-	420,299
Vehicles	<u>171,742</u>	<u>17,052</u>	<u>-</u>	<u>188,794</u>
Total accumulated depreciation	<u>5,689,767</u>	<u>\$ 219,627</u>	<u>\$ -</u>	<u>5,909,394</u>
Depreciable capital assets, net	<u>4,105,995</u>			<u>3,886,368</u>
Water fund capital assets, net	<u>5,449,574</u>			<u>5,754,192</u>

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
Landfill Fund:				
Solid Waste Fund:				
Depreciable Assets:				
Plant and systems	5,595	\$ -	\$ -	5,595
Vehicles	<u>10,523</u>	<u>-</u>	<u>(10,523)</u>	<u>-</u>
Total depreciable assets	<u>16,118</u>	<u>-</u>	<u>(10,523)</u>	<u>5,595</u>
Less Accumulated Depreciation:				
Plant and distribution systems	1,680	560	-	2,240
Vehicles	<u>6,314</u>	<u>4,209</u>	<u>(10,523)</u>	<u>-</u>
Total accumulated depreciation	<u>7,994</u>	<u>\$ 4,769</u>	<u>\$ (10,523)</u>	<u>2,240</u>
Depreciable capital assets, net	<u>8,124</u>			<u>3,355</u>
Landfill capital assets, net	<u>8,124</u>			<u>3,355</u>
Business-type activities capital assets, net	<u>\$ 5,457,698</u>			<u>\$ 5,757,547</u>

Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2016 is composed of the following elements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 6,877,281	\$ 5,757,547
Long-term debt, County owned assets	<u>1,464,392</u>	<u>-</u>
Net investment in capital assets	<u>\$ 5,412,889</u>	<u>\$ 5,757,547</u>

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

7. Accounts Payable and Accrued Expenses

Disaggregation Information

Total payables at the government-wide level as of June 30, 2016:

<u>Type of Payable</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Trade payables	\$ 189,282	\$ 101,742	\$ 291,024
Accrued interest	71,253	-	71,253
Total	<u>\$ 260,535</u>	<u>\$ 101,742</u>	<u>\$ 362,277</u>

8. Pension Plan Obligations

Local Governmental Employees' Retirement System

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

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.67% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$182,772 for the year ended June 30, 2016.

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

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

At June 30, 2016, the County reported a liability of \$211,696 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the County's proportion was .047%, which was an increase of .002% from its proportion measured as of June 30, 2014.

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

For the year ended June 30, 2016, the County recognized pension expense of \$119,169. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 49,761
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	60,269
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,503	-
Employer contributions subsequent to the measurement date	<u>182,772</u>	<u>-</u>
Total	<u>\$ 202,275</u>	<u>\$ 110,030</u>

\$182,772 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2017	\$ (64,434)
2018	(64,434)
2019	(64,389)
2020	<u>102,730</u>
Total	<u>\$ (90,527)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	2.2%
Global equity	42.0%	5.8%
Real estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation protection	6.0%	3.4%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Sensitivity of the County’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the County’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	\$ 1,476,186	\$ 211,696	\$ (853,609)

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

Law Enforcement Officers’ Special Separation Allowance

Plan Description. Gates County administers a public employee retirement system (the Separation Allowance), a single-employer, defined benefit pension plan that provides retirement benefits to the County’s qualified sworn law enforcement officers. The Separation Allowance is equal to .85% 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, 2016

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>13</u>
Total	<u><u>13</u></u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

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

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

Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2014 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, 2014 was 16 years.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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	\$	22,589
Interest on net pension obligation		8,256
Adjustment to annual required contribution		(14,509)
Annual pension cost		16,336
Employer contributions made for fiscal year ended June 30, 2016		-
Increase in net pension obligation		16,336
Net pension obligation:		
Beginning of year - July 1		165,112
End of year - June 30	\$	181,448

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	\$ 10,619	0.00%	\$ 151,542
6/30/2015	13,570	0.00%	165,112
6/30/2016	16,336	0.00%	181,448

Funding Status and Funding Progress. As of December 31, 2015, the Plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$158,357. The covered payroll (annual payroll of active employees covered by the plan) was \$501,080, and the ratio of the UAAL to the covered payroll was 31.60%.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets are increasing or decreasing, over time, relative to the actuarial accrued liability for benefits.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 5% 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, 2016 were \$32,765, which consisted of \$22,825 from the County and \$9,940 from the law enforcement officers.

Registers of Deeds' Supplemental Pension Fund

Plan Description. Gates County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a non-contributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$2,856 for the year ended June 30, 2016.

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

At June 30, 2016, the County reported an asset of \$21,851 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2015, the County's proportion was .094%, which was a decrease of .005% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$390. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 107	\$ 362
Net difference between projected and actual earnings on pension plan investments	1,084	-
Changes in proportion and differences between County contributions and proportionate share of contributions	865	373
County contributions subsequent to the measurement date	2,856	-
Total	\$ 4,912	\$ 735

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

\$2,856 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ 271
2018	448
2019	309
2020	293
Total	<u>\$ 1,321</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.2%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

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

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

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
County's proportionate share of the net pension liability (asset)	\$ (19,714)	\$ (21,851)	\$ (23,689)

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

Other Post-Employment Benefits-Healthcare

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

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. Currently, seven retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2016, the County made payments for post-retirement health benefit premiums of \$65,286. A separate report was not issued for the plan.

Membership of the plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	11	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	66	13
Total	77	13

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

The current ARC rate is 9.57% of annual covered payroll. For the current year, the County contributed \$65,286, or 2.37%, of annual covered payroll. There were no contributions made by employees. The County’s obligation to contribute to the plan is established and may be amended by the Board of County Commissioners.

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

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 247,584	\$ 15,803	\$ 263,387
Interest on net OPEB obligation	75,537	4,821	80,358
Adjustments to annual required contribution	<u>(72,161)</u>	<u>(4,606)</u>	<u>(76,767)</u>
Annual OPEB cost (expense)	250,960	16,018	266,978
Contributions made	<u>(61,660)</u>	<u>(3,626)</u>	<u>(65,286)</u>
Increase (decrease) in net OPEB obligation	189,300	12,392	201,692
Net OPEB obligation:			
Beginning of year - July 1	<u>1,857,194</u>	<u>151,760</u>	<u>2,008,954</u>
End of year - June 30	<u><u>\$ 2,046,494</u></u>	<u><u>\$ 164,152</u></u>	<u><u>\$ 2,210,646</u></u>

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

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 309,499	17.10%	\$ 1,729,640
2015	319,625	12.61%	2,008,954
2016	266,978	24.50%	2,210,646

Funded Status and Funding Progress. As of December 31, 2015, 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 \$3,128,725. The covered payroll (annual payroll of active employees covered by the plan) was \$2,753,311, and the ratio of the UAAL to the covered payroll was 113.6%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan, and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% 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 7.75% – 5%, along with a post-Medicare rate of 5.75% – 5%. Both rates included a 3.00% 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, 2015 was 30 years.

As of June 30, 2016, management had not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the County Commissioners.

Other Employment Benefits

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

9. Deferred Outflows and Inflows of Resources

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

	<u>Amount</u>
Contributions to pension plans in fiscal year	\$ 185,628
Pension deferrals	<u>21,559</u>
Total deferred outflows of resources	<u>\$ 207,187</u>

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

	<u>Amount</u>
Taxes receivable (net)	\$ 258,811
Prepaid taxes	23,657
Pension deferrals	<u>110,765</u>
Total	<u>\$ 369,576</u>

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

10. Long-Term Obligations

Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2016:

	Balance			Balance		Current
	July 1, 2015	Increases	Decreases	June 30, 2016	Portion of	Balance
Governmental Activities:						
Notes payable	\$ 4,903,084	\$ -	\$ (838,692)	\$ 4,064,392	\$ 841,737	
OPEB liability	1,857,194	250,960	(61,660)	2,046,494	-	
Pension liability - LGERS	-	198,994	-	198,994	-	
LEO liability	165,112	16,336	-	181,448	-	
Compensated absences	<u>257,647</u>	<u>81,637</u>	<u>(42,964)</u>	<u>296,320</u>	<u>74,080</u>	
Total governmental activities	<u>\$ 7,183,037</u>	<u>\$ 547,927</u>	<u>\$ (943,316)</u>	<u>\$ 6,787,648</u>	<u>\$ 915,817</u>	
Business-Type Activities:						
Water Fund:						
Notes payable	\$ 173,989	\$ -	\$ (173,989)	\$ -	\$ -	
Pension liability - LGERS	-	12,702	-	12,702	-	
OPEB liability	151,760	16,018	(3,626)	164,152	-	
Compensated absences	<u>20,826</u>	<u>164</u>	<u>(2,978)</u>	<u>18,012</u>	<u>13,509</u>	
Total business-type activities	<u>\$ 346,575</u>	<u>\$ 28,884</u>	<u>\$ (180,593)</u>	<u>\$ 194,866</u>	<u>\$ 13,509</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 FIFO basis, assuming that employees are taking leave time as it is earned.

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

North Carolina General Statutes limit certain indebtedness of the County to an amount not greater than 8% of the appraised value of property subject to taxation by the County. At June 30, 2016, the legal debt limit and legal debt margin given no bonded debt outstanding totaled \$74,291,483.

Notes Payable

Serviced by General Fund:

3.98% note; payable in semi-annual installments of \$216,667, plus interest; original issuance of \$6,500,000 was for the expansion of public school facilities; matures 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 January 2022; secured by school real estate; original note was refinanced in March 2012, with an outstanding principal balance of \$4,460,000, with interest payable at 2.91%, with an original maturity date of March 2022	\$ 2,600,000
2.89% note; payable in annual installments of \$142,054, including interest. The original issuance was \$1,709,409 with BB&T governmental finance; to finance the construction of Social Services building; matures September 2025; secured by Social Services building	1,164,392
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	<u>300,000</u>
Total notes payable	<u><u>\$ 4,064,392</u></u>

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>Principal</u>	<u>Interest</u>
2017	\$ 841,737	\$ 136,802
2018	544,870	112,440
2019	548,093	91,970
2020	551,409	71,406
2021	554,822	50,749
2022-2026	<u>1,023,459</u>	<u>61,024</u>
Total	<u><u>\$ 4,064,392</u></u>	<u><u>\$ 524,391</u></u>

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

11. Risk Management

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

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

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

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

12. Landfill Closure and Post-Closure Care Costs

Federal and State laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. As indicated in Note 14, the County participates in two joint ventures in connection with handling solid waste disposal - Perquimans-Gates Waste Management and Albemarle Regional Solid Waste Authority.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

13. Interfund Balances and Activity

Transfer To/From Other Funds

Transfers to/from other funds for the year ended June 30, 2016 consisted of the following:

Fund Type	Fund Name	From	To	Purpose
General	General Fund	\$ 383,949	\$ 16,225	
Business-Type	Water Sewer Fund	350,199	-	
Enterprise Fund Capital Project	Waste Water Treatment Facility			
	Capital Project Fund	-	700,398	To finance project
Governmental Fund	Revaluation Fund	-	33,750	Required contribution for revaluation fund reserve
Governmental Fund	USDA Loan Fund	16,225	-	Debt service payments
	Total	<u>\$ 750,373</u>	<u>\$ 750,373</u>	

14. Joint Ventures

The County participates in a joint venture to operate Perquimans-Chowan Gates Regional Landfill (Landfill) with two other counties. Each participating government appoints their County Manager and one Commissioner to the nine-member Board of the Landfill. Although the Landfill is no longer accepting solid waste, the site will continue to be used as a waste transfer station. Gates County will continue to pay 25% of the site's operating cost and 33% of any capital outlay and administration cost. In accordance with the intergovernmental agreement between the participating governments, the County paid \$787,991 for operating costs.

The County participates in a joint venture to operate Albemarle Regional Library (Library), which serves a four-County district. Gates County appoints three members to the ten-member district Library Board. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library system, so no equity interest has been reflected in the financial statements at June 30, 2016. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$90,000 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's office on Tryon Street, Winton, North Carolina 27986.

The County also participates in a joint venture to operate Albemarle Regional Health Services with seven other counties. The area Board of Commissioners appoints the fifteen-member governing board. The County has an ongoing financial responsibility for Albemarle Regional Health Services

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, 2016. 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.

15. Jointly Governed Organization

The County, in conjunction with nine other counties and 16 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 \$7,722 to the Commission during the fiscal year ended June 30, 2016.

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 Trillium Health Resources, a local management entity for mental healthcare services. These entities provide mental health services to the residents of the participating counties through satellite offices. The County contributed \$30,166 to this organization during the fiscal year ended June 30, 2016.

16. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 8,631,999	\$ 4,563,689
WIC	90,958	-
IV- E Foster Care	109,051	-
Energy Assistance	87,370	-
TANF	212,775	-
Total	<u>\$ 9,132,153</u>	<u>\$ 4,563,689</u>

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

17. Summary Disclosure of Significant Commitments and Contingencies

Federal and State-Assisted Programs

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

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GATES COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2009	\$ -	\$	3,943,191	\$ 3,943,191	0.00%	\$ 2,338,648	168.6%
12/31/2012	-		3,684,889	3,684,889	0.00%	2,175,983	169.3%
12/31/2015	-		3,128,725	3,128,725	0.00%	2,753,311	113.6%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)		Amount Contributed By Employer	Percentage of ARC Contributed
2016	\$	263,387	\$ 65,286	24.79%
2015		316,533	40,311	12.74%
2014		307,314	53,069	17.27%
2013		307,314	58,717	19.11%
2012		454,514	55,942	12.31%
2011		454,514	40,041	8.81%

Notes to the Required Schedules:

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

Valuation date	12/31/2015
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	7.75%-5.00%
Post-Medicare trend rate	5.75%-5.00%
Year of Ultimate trend rate	2022

* Includes inflation at 3.00%

GATES COUNTY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/2011	\$ -	\$ 90,169	\$ 90,169	0.00%	\$ 420,215	21.41%
12/31/2012	-	100,267	100,267	0.00%	430,303	23.30%
12/31/2013	-	115,893	115,893	0.00%	429,629	26.98%
12/31/2014	-	146,152	146,152	0.00%	472,508	30.93%
12/31/2015	-	158,357	158,357	0.00%	501,080	31.60%

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	12/31/2015
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	3.57%
Projected salary increases*	Ranges from 3.50-7.35%
Cost-of-living adjustments	None
 *Includes inflation at	 3.00%

GATES COUNTY, NORTH CAROLINA

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

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) (%)	0.0472%	-0.0450%	0.0432%
County's proportion of the net pension liability (asset) (\$)	\$ 211,696	\$ (265,563)	\$ 520,726
County's covered-employee payroll	\$ 2,573,301	\$ 2,404,383	\$ 2,061,051
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.23%	-11.04%	25.27%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

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

GATES COUNTY, NORTH CAROLINA

CONTRIBUTIONS
 REQUIRED SUPPLEMENTARY INFORMATION
 LAST THREE FISCAL YEARS

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 182,772	\$ 186,050	\$ 171,421
Contributions in relation to the contractually required contribution	<u>182,772</u>	<u>186,050</u>	<u>171,421</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,702,668	\$ 2,573,301	\$ 2,404,383
Contributions as a percentage of covered-employee payroll	6.76%	7.23%	7.13%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Gates County's proportion of the net pension liability (asset) (%)	0.09%	0.10%	0.10%
Gates County's proportion of the net pension liability (asset) (\$)	\$ (21,851)	\$ (22,616)	\$ (20,326)
Gates County's covered-employee payroll	\$ 41,206	\$ 43,333	\$ 48,315
Gates County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-53.03%	-52.19%	-42.07%
Plan fiduciary net position as a percentage of the total pension liability**	197.29%	193.88%	190.50%

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

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

GATES COUNTY, NORTH CAROLINA

GATES COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST THREE FISCAL YEARSRegister of Deeds' Supplemental Pension Fund

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,856	\$ 755	\$ 815
Contributions in relation to the contractually required contribution	<u>2,856</u>	<u>755</u>	<u>815</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Gates County's covered-employee payroll	\$ 42,242	\$ 41,206	\$ 43,333
Contributions as a percentage of covered-employee payroll	6.76%	1.83%	1.88%

GATES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ACTUAL - GENERAL FUND CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Revaluation Fund</u>	<u>USDA Loan Fund</u>	<u>Eliminations</u>	<u>Total General Fund</u>
Revenues:					
Ad valorem taxes	\$ 6,324,989	\$ -	\$ -	\$ -	\$ 6,324,989
Local option sales taxes	2,017,450	-	-	-	2,017,450
Other taxes and licenses	26,428	-	-	-	26,428
Unrestricted intergovernmental revenues	61,117	-	-	-	61,117
Restricted intergovernmental revenues	2,429,621	-	-	-	2,429,621
Permits and fees	128,666	-	-	-	128,666
Sales and services	174,941	-	-	-	174,941
Investment earnings	10,353	-	-	-	10,353
Miscellaneous	65,269	-	-	-	65,269
Total revenues	<u>11,238,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,238,834</u>
Expenditures:					
Current:					
General government	1,821,014	49,833	-	-	1,870,847
Public safety	1,580,586	-	-	-	1,580,586
Economic and physical development	839,144	-	-	-	839,144
Human services	2,005,642	-	-	-	2,005,642
Cultural and recreational	630,700	-	-	-	630,700
Education	2,714,000	-	-	-	2,714,000
Debt service:					
Principal	838,692	-	-	-	838,692
Interest	131,108	-	-	-	131,108
Total expenditures	<u>10,560,886</u>	<u>49,833</u>	<u>-</u>	<u>-</u>	<u>10,610,719</u>
Revenues over (under) expenditures	<u>677,948</u>	<u>(49,833)</u>	<u>-</u>	<u>-</u>	<u>628,115</u>
Other Financing Sources (Uses):					
Transfers from other funds	16,225	33,750	-	(49,975)	-
Transfer to other funds	(383,949)	-	(16,225)	49,975	(350,199)
Total other financing sources (uses)	<u>(367,724)</u>	<u>33,750</u>	<u>(16,225)</u>	<u>-</u>	<u>(350,199)</u>
Net change in fund balances	310,224	(16,083)	(16,225)	-	277,916
Fund Balances:					
Beginning of year - July 1	<u>3,667,917</u>	<u>207,551</u>	<u>16,225</u>	<u>-</u>	<u>3,891,693</u>
End of year - June 30	<u>\$ 3,978,141</u>	<u>\$ 191,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,169,609</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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 6,164,000	\$ 6,261,759	\$ 97,759	\$ 6,239,517
Penalties and interest	62,500	63,230	730	64,432
Total	<u>6,226,500</u>	<u>6,324,989</u>	<u>98,489</u>	<u>6,303,949</u>
Local Option Sales Taxes:				
Article 39	471,000	507,767	36,767	452,152
Article 40 one-half of one percent	754,000	710,503	(43,497)	713,534
Article 42 one-half of one percent	253,000	249,018	(3,982)	242,200
Article 44	-	46,743	46,743	(17)
Medicaid Hold Harmless payment	376,000	503,419	127,419	605,727
Total	<u>1,854,000</u>	<u>2,017,450</u>	<u>163,450</u>	<u>2,013,596</u>
Other Taxes and Licenses:				
Deep stamp excise tax	25,000	24,262	(738)	25,233
ABC bottle tax	2,000	2,166	166	1,922
Total	<u>27,000</u>	<u>26,428</u>	<u>(572)</u>	<u>27,155</u>
Unrestricted Intergovernmental Revenues:				
Payments in lieu of taxes	8,000	8,705	705	8,280
Beer and wine tax	58,000	51,019	(6,981)	55,167
Cable franchise fees	1,600	1,393	(207)	1,457
Total	<u>67,600</u>	<u>61,117</u>	<u>(6,483)</u>	<u>64,904</u>
Restricted Intergovernmental Revenues:				
Federal and State grants	2,616,703	2,429,621	(187,082)	2,136,886
Total	<u>2,616,703</u>	<u>2,429,621</u>	<u>(187,082)</u>	<u>2,136,886</u>
Permits and Fees:				
Building permits	60,000	90,655	30,655	98,817
Register of Deeds	47,700	38,011	(9,689)	40,706
Total	<u>107,700</u>	<u>128,666</u>	<u>20,966</u>	<u>139,523</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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Sales and Services:				
Transportation fares	18,500	20,002	1,502	17,584
Rents, concessions, and fees	70,983	78,384	7,401	67,541
Jail fees	30,000	30,193	193	29,511
School resource officer	-	28,000	28,000	41,810
Court facilities fees	20,000	18,362	(1,638)	21,090
Total	<u>139,483</u>	<u>174,941</u>	<u>35,458</u>	<u>177,536</u>
Investment Earnings	<u>9,000</u>	<u>10,353</u>	<u>1,353</u>	<u>10,736</u>
Miscellaneous:				
Insurance reimbursement	-	9,564	9,564	-
Sale of assets	5,000	12,254	7,254	26,317
Other	34,950	43,451	8,501	59,734
Total	<u>39,950</u>	<u>65,269</u>	<u>25,319</u>	<u>86,051</u>
Total revenues	<u>11,087,936</u>	<u>11,238,834</u>	<u>150,898</u>	<u>10,960,336</u>
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	68,943	67,177	1,766	68,664
Operating expenditures	42,670	27,755	14,915	34,613
Overhead allocated to other funds	(20,688)	(18,310)	(2,378)	(25,819)
Total	<u>90,925</u>	<u>76,622</u>	<u>14,303</u>	<u>77,458</u>
Financial Services:				
Salaries and employee benefits	248,803	243,633	5,170	444,438
Operations	89,875	54,978	34,897	148,506
Overhead allocated to other funds	(308,903)	(274,498)	(34,405)	(267,480)
Total	<u>29,775</u>	<u>24,113</u>	<u>5,662</u>	<u>325,464</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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over/Under	2015
	Budget	Actual		Actual
Administration:				
Salaries and employee benefits	366,559	366,476	83	155,332
Operating expenditures	100,685	83,290	17,395	15,178
Capital outlay	26,536	26,374	162	-
Overhead allocated to other funds	(99,993)	(96,870)	(3,123)	(42,628)
Total	<u>393,787</u>	<u>379,270</u>	<u>14,517</u>	<u>127,882</u>
Tax Collection:				
Salaries and employee benefits	196,656	196,789	(133)	200,154
Operating expenditures	<u>107,375</u>	<u>91,141</u>	<u>16,234</u>	<u>95,560</u>
Total	<u>304,031</u>	<u>287,930</u>	<u>16,101</u>	<u>295,714</u>
Legal:				
Contracted services	<u>30,000</u>	<u>22,703</u>	<u>7,297</u>	<u>17,261</u>
Court Facilities:				
Operating expenditures	<u>20,500</u>	<u>19,898</u>	<u>602</u>	<u>17,790</u>
Elections:				
Salaries and employee benefits	59,537	58,500	1,037	58,634
Operating expenditures	<u>68,472</u>	<u>55,734</u>	<u>12,738</u>	<u>38,236</u>
Total	<u>128,009</u>	<u>114,234</u>	<u>13,775</u>	<u>96,870</u>
Register of Deeds:				
Salaries and employee benefits	91,482	90,384	1,098	82,929
Operating expenditures	<u>23,025</u>	<u>19,962</u>	<u>3,063</u>	<u>22,570</u>
Total	<u>116,507</u>	<u>111,436</u>	<u>5,071</u>	<u>105,499</u>
Public Buildings:				
Salaries and employee benefits	149,156	148,719	437	139,799
Operating expenditures	218,094	199,996	18,098	241,346
Capital outlay	20,000	19,961	39	-
Overhead allocated to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,175)</u>
Total	<u>387,250</u>	<u>368,676</u>	<u>18,574</u>	<u>350,970</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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
County Capital Improvement Program:				
Equipment	574,995	416,132	158,863	349,234
Vehicles	-	-	-	99,915
Total	574,995	416,132	158,863	449,149
Sustainability:				
Operations	-	-	-	7,987
Total general government	2,075,779	1,821,014	254,765	1,872,044
Public Safety:				
Sheriff and Communications:				
Salaries and employee benefits	789,862	727,184	62,678	746,572
Operating expenditures	140,450	112,221	28,229	130,897
Capital outlay	30,000	28,184	1,816	-
Total	960,312	867,589	92,723	877,469
Jail:				
Operating expenditures	219,500	124,767	94,733	247,411
Total	219,500	124,767	94,733	247,411
Emergency Management:				
Salaries and employee benefits	301,281	305,653	(4,372)	303,576
Operating expenditures	34,621	30,378	4,243	31,816
Capital outlay	700	665	35	700
Overhead allocated to other funds	(43,000)	(43,000)	-	(40,000)
Total	293,602	293,696	(94)	296,092
Fire:				
Forest fire protection	58,082	50,985	7,097	54,007
Recue Squad:				
Allocation	25,000	25,000	-	25,000

GATES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Building Inspector:				
Salaries and employee benefits	123,073	119,228	3,845	112,777
Operating expenditures	13,965	9,998	3,967	13,885
Total	137,038	129,226	7,812	126,662
Medical Examiner:				
Professional services	8,500	9,100	(600)	7,450
Animal Control:				
Operating expenditures	74,500	80,223	(5,723)	51,669
Total public safety	1,776,534	1,580,586	195,948	1,685,760
Economic and Physical Development:				
Agricultural Extension:				
Salaries and employee benefits	119,569	114,755	4,814	110,411
Operating expenditures	17,840	15,967	1,873	17,826
Total	137,409	130,722	6,687	128,237
Soil and Water Conservation:				
Salaries and employee benefits	84,941	83,816	1,125	83,638
Operating expenditures	9,596	5,349	4,247	5,478
Total	94,537	89,165	5,372	89,116
Zoning:				
Salaries and employee benefits	93,262	88,795	4,467	68,555
Operating expenditures	78,300	51,113	27,187	23,343
Total	171,562	139,908	31,654	91,898

GATES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over/Under	2015
	Budget	Actual		Actual
Cooperative Extension Service:				
Genesis	28,407	23,280	5,127	26,178
School age child care	30,328	28,107	2,221	25,451
Life Smarts	929	-	929	-
4-H Program	250	250	-	1,171
SHIP Grant	2,050	2,050	-	3,339
Total	<u>61,964</u>	<u>53,687</u>	<u>8,277</u>	<u>56,139</u>
GITS:				
Salaries and employee benefits	257,468	250,209	7,259	239,345
Operating expenditures	256,205	136,049	120,156	135,258
Capital outlay	94,814	39,404	55,410	66,652
Total	<u>608,487</u>	<u>425,662</u>	<u>182,825</u>	<u>441,255</u>
Total economic and physical development	<u>1,073,959</u>	<u>839,144</u>	<u>234,815</u>	<u>806,645</u>
Human Services:				
Health:				
Administration:				
Albemarle Regional Health Services	113,500	113,500	-	113,500
Albemarle Mental Health Center	30,000	30,166	(166)	29,922
Albemarle Hospital	5,500	5,500	-	8,000
Total	<u>149,000</u>	<u>149,166</u>	<u>(166)</u>	<u>151,422</u>
Social Services:				
Administration:				
Salaries and employee benefits	1,120,051	1,058,886	61,165	1,012,811
Operating expenditures	186,813	175,897	10,916	171,849
Total	<u>1,306,864</u>	<u>1,234,783</u>	<u>72,081</u>	<u>1,184,660</u>
Special Assistance for Adults:				
County participation	<u>95,000</u>	<u>102,698</u>	<u>(7,698)</u>	<u>87,341</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, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Medicaid:				
County participation	120,000	116,113	3,887	81,633
Special Social Services:				
Food Stamp Program	3,000	2,686	314	2,866
Daycare	300,436	224,111	76,325	274,282
Crisis intervention	95,358	79,955	15,403	105,109
N.C. Blind Commission	888	888	-	977
WorkFirst	10,957	8,837	2,120	7,219
CPS and independent living	5,000	-	5,000	-
Others	14,445	6,402	8,043	6,812
Total	430,084	322,879	107,205	397,265
Total social services	1,951,948	1,776,473	175,475	1,750,899
Special Appropriations:				
Veterans service	4,000	4,000	-	4,000
Juvenile crime prevention	32,831	32,831	-	32,331
Others	43,172	43,172	-	46,203
Total special appropriation	80,003	80,003	-	82,534
Total human services	2,180,951	2,005,642	175,309	1,984,855
Cultural and Recreational:				
Community Center:				
Operating expenditures	540,700	540,700	-	237,000
Total	540,700	540,700	-	237,000
Libraries:				
Operating expenditures	90,000	90,000	-	92,000
Total cultural and recreation	630,700	630,700	-	329,000

GATES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Education:				
Public schools - current	2,708,000	2,708,000	-	2,708,000
Community colleges	6,000	6,000	-	8,000
Total education	<u>2,714,000</u>	<u>2,714,000</u>	<u>-</u>	<u>2,716,000</u>
Debt Service:				
Principal retirement	838,692	838,692	-	-
Interest and fees	131,108	131,108	-	-
Total debt service	<u>969,800</u>	<u>969,800</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>11,421,723</u>	<u>10,560,886</u>	<u>860,837</u>	<u>9,394,304</u>
Revenues over (under) expenditures	<u>(333,787)</u>	<u>677,948</u>	<u>1,011,735</u>	<u>1,566,032</u>
Other Financing Sources (Uses):				
Transfers from other funds	16,225	16,225	-	18,320
Transfers to other funds	(467,151)	(383,949)	83,202	(1,176,468)
Appropriated fund balance	784,713	-	(784,713)	-
Total other financing sources (uses)	<u>333,787</u>	<u>(367,724)</u>	<u>(701,511)</u>	<u>(1,158,148)</u>
Net change in fund balance	<u>\$ -</u>	310,224	<u>\$ 310,224</u>	407,884
Fund Balance:				
Beginning of year - July 1		<u>3,667,917</u>		<u>\$ 3,260,033</u>
End of year - June 30		<u>\$ 3,978,141</u>		<u>\$ 3,667,917</u>

GATES COUNTY, NORTH CAROLINA

REVALUATION FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>			<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Expenditures:				
General government	\$ 241,250	\$ 49,833	\$ 191,417	\$ -
Revenues over (under) expenditures	<u>(241,250)</u>	<u>(49,833)</u>	<u>191,417</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers from other funds	33,750	33,750	-	33,750
Appropriated fund balance	<u>207,500</u>	<u>-</u>	<u>(207,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>241,250</u>	<u>33,750</u>	<u>(207,500)</u>	<u>33,750</u>
Net change in fund balance	<u>\$ -</u>	(16,083)	<u>\$ (16,083)</u>	33,750
Fund Balance:				
Beginning of year - July 1		<u>207,551</u>		<u>173,801</u>
End of year - June 30		<u>\$ 191,468</u>		<u>\$ 207,551</u>

GATES COUNTY, NORTH CAROLINA

USDA LOAN RESERVE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers to other funds	\$ (16,225)	\$ (16,225)	\$ -	\$ (18,320)
Appropriated fund balance	16,225	-	(16,225)	-
Total other financing sources (uses)	<u>-</u>	<u>(16,225)</u>	<u>(16,225)</u>	<u>(18,320)</u>
Net change in fund balance	<u>\$ -</u>	<u>(16,225)</u>	<u>\$ (16,225)</u>	<u>(18,320)</u>
Fund Balance:				
Beginning of year - July 1		<u>16,225</u>		<u>34,545</u>
End of year - June 30		<u>\$ -</u>		<u>\$ 16,225</u>

GATES COUNTY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Nonmajor Special Revenue Funds	Nonmajor Old Courthouse Restoration Project	Total
Assets:			
Cash and cash equivalents	\$ 174,196	\$ 133,279	\$ 307,475
Accounts receivable, net	12,048	205	12,253
Due from other governments	1,144	-	1,144
Total assets	<u>\$ 187,388</u>	<u>\$ 133,484</u>	<u>\$ 320,872</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 11,019	\$ 248	\$ 11,267
Due to other funds	1,257	-	1,257
Total liabilities	<u>12,276</u>	<u>248</u>	<u>12,524</u>
Fund Balances:			
Stabilization for State statute	13,192	205	13,397
Restricted, all other	163,177	-	163,177
Committed	-	133,031	133,031
Unassigned	(1,257)	-	(1,257)
Total fund balances	<u>175,112</u>	<u>133,236</u>	<u>308,348</u>
Total liabilities and fund balances	<u>\$ 187,388</u>	<u>\$ 133,484</u>	<u>\$ 320,872</u>

GATES COUNTY, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2016**

	Nonmajor Special Revenue Funds	Nonmajor Old Courthouse Restoration Project	Total
Revenues:			
Restricted intergovernmental revenues	\$ 843	\$ -	\$ 843
Other taxes and licenses	376,104	-	376,104
Investment earnings	631	-	631
Total revenues	<u>377,578</u>	<u>-</u>	<u>377,578</u>
Expenditures:			
Current:			
General government	-	20,259	20,259
Public safety	361,722	-	361,722
Total expenditures	<u>361,722</u>	<u>20,259</u>	<u>381,981</u>
Net change in fund balances	15,856	(20,259)	(4,403)
Fund Balances:			
Beginning of year - July 1	<u>159,256</u>	<u>153,495</u>	<u>312,751</u>
End of year - June 30	<u>\$ 175,112</u>	<u>\$ 133,236</u>	<u>\$ 308,348</u>

GATES COUNTY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	<u>Emergency Telephone System Fund</u>	<u>Fire Protection Fund</u>	<u>Hazard Mitigation Grant</u>	<u>Homeland Security Grant</u>	<u>Total</u>
Assets:					
Cash and cash equivalents	\$ 164,443	\$ 9,753	\$ -	\$ -	\$ 174,196
Accounts receivable, net	10,791	-	843	414	12,048
Due from other governments	<u>1,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,144</u>
Total assets	<u>\$ 176,378</u>	<u>\$ 9,753</u>	<u>\$ 843</u>	<u>\$ 414</u>	<u>\$ 187,388</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,266	\$ 9,753	\$ -	\$ -	\$ 11,019
Due to other funds	-	-	843	414	1,257
Total liabilities	<u>1,266</u>	<u>9,753</u>	<u>843</u>	<u>414</u>	<u>12,276</u>
Fund Balances:					
Stabilization for State statute	11,935	-	843	414	13,192
Restricted, all other	163,177	-	-	-	163,177
Unassigned	<u>-</u>	<u>-</u>	<u>(843)</u>	<u>(414)</u>	<u>(1,257)</u>
Total fund balances	<u>175,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,112</u>
Total liabilities and fund balances	<u>\$ 176,378</u>	<u>\$ 9,753</u>	<u>\$ 843</u>	<u>\$ 414</u>	<u>\$ 187,388</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, 2016

	Emergency Telephone System Fund	Fire Protection Fund	Hazard Mitigation Grant	Emergency Communications Enhancement Grant	Homeland Security Grant	Total
Revenues:						
Restricted intergovernmental	\$ -	\$ -	\$ 843	\$ -	\$ -	\$ 843
Other taxes and licenses	129,498	246,606	-	-	-	376,104
Investment earnings	631	-	-	-	-	631
Total revenues	<u>130,129</u>	<u>246,606</u>	<u>843</u>	<u>-</u>	<u>-</u>	<u>377,578</u>
Expenditures:						
Current:						
Public safety	<u>98,502</u>	<u>246,554</u>	<u>843</u>	<u>1,699</u>	<u>14,124</u>	<u>361,722</u>
Net change in fund balances	31,627	52	-	(1,699)	(14,124)	15,856
Fund Balances:						
Beginning of year - July 1	<u>143,485</u>	<u>(52)</u>	<u>-</u>	<u>1,699</u>	<u>14,124</u>	<u>159,256</u>
End of year - June 30	<u>\$ 175,112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,112</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, 2016
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Other taxes and licenses	\$ 129,498	\$ 129,498	\$ -	\$ 124,449
Investment earnings	-	631	631	888
Total revenues	<u>129,498</u>	<u>130,129</u>	<u>631</u>	<u>125,337</u>
Expenditures:				
Public safety	<u>129,498</u>	<u>98,502</u>	<u>30,996</u>	<u>79,252</u>
Revenues over (under) expenditures	-	31,627	31,627	46,085
Other Financing Sources (Uses):				
Transfer (to) from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(190,761)</u>
Net change in fund balance	<u>\$ -</u>	<u>31,627</u>	<u>\$ 31,627</u>	<u>(144,676)</u>
Fund Balance:				
Beginning of year - July 1		<u>143,485</u>		<u>288,161</u>
End of year - June 30		<u>\$ 175,112</u>		<u>\$ 143,485</u>

GATES COUNTY, NORTH CAROLINA

FIRE PROTECTION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>			<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Fire protection fees	\$ 260,000	\$ 246,606	\$ (13,394)	\$ 243,016
Expenditures:				
Volunteer fire department	260,000	246,554	13,446	243,068
Net change in fund balance	\$ -	52	\$ 52	(52)
Fund Balance:				
Beginning of year - July 1		(52)		-
End of year - June 30		\$ -		\$ (52)

GATES COUNTY, NORTH CAROLINA

HAZARD MITIGATION GRANT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Revenues:				
Restricted intergovernmental	\$ 80,000	\$ 76,657	\$ 843	\$ 77,500
Expenditures:				
Public safety	80,000	76,657	843	77,500
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GATES COUNTY, NORTH CAROLINA

EMERGENCY COMMUNICATIONS ENHANCEMENT GRANT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 149,000	\$ 149,000	\$ -	\$ 149,000
Expenditures:				
Enhancement costs	399,000	338,062	1,699	339,761
Revenues over (under) expenditures	(250,000)	(189,062)	(1,699)	(190,761)
Other Financing Sources (Uses):				
Transfers from other funds	250,000	190,761	-	190,761
Net change in fund balance	\$ -	\$ 1,699	(1,699)	\$ -
Fund Balance:				
Beginning of year - July 1			1,699	
End of year - June 30			\$ -	

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, 2016**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 627,037	\$ 501,971	\$ -	\$ 501,971
Expenditures:				
Public safety	627,037	487,847	14,124	501,971
Net change in fund balance	<u>\$ -</u>	<u>\$ 14,124</u>	<u>\$ (14,124)</u>	<u>\$ -</u>

GATES COUNTY, NORTH CAROLINA

**OLD COURTHOUSE RESTORATION PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Miscellaneous-donations	\$ 250,000	\$ -	\$ -	\$ -
Expenditures:				
Renovation costs	755,000	351,505	20,259	371,764
Revenues over (under) expenditures	(505,000)	(351,505)	(20,259)	(371,764)
Other Financing Sources (Uses):				
Transfers from other funds	505,000	505,000	-	505,000
Net change in fund balance	<u>\$ -</u>	<u>\$ 153,495</u>	(20,259)	<u>\$ 133,236</u>
Fund Balance:				
Beginning of year - July 1			<u>153,495</u>	
End of year - June 30			<u>\$ 133,236</u>	

GATES COUNTY, NORTH CAROLINA

LANDFILL FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services:				
Solid waste charges	\$ 750,000	\$ 735,591	\$ (14,409)	\$ 759,845
Miscellaneous	2,000	19,680	17,680	38,279
Total operating revenues	<u>752,000</u>	<u>755,271</u>	<u>3,271</u>	<u>798,124</u>
Non-operating revenues:				
Investment earnings	-	306	306	583
White goods	5,000	4,052	(948)	5,897
Scrap tire	40,000	15,798	(24,202)	32,237
Solid waste disposal tax	7,000	9,265	2,265	11,134
Total non-operating revenues	<u>52,000</u>	<u>29,421</u>	<u>(22,579)</u>	<u>49,851</u>
Total revenues	<u>804,000</u>	<u>784,692</u>	<u>(19,308)</u>	<u>847,975</u>
Expenditures:				
Landfill operations:				
Operating expenditures	<u>804,000</u>	<u>842,019</u>	<u>(38,019)</u>	<u>866,537</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>(57,327)</u>	<u>\$ (57,327)</u>	<u>\$ (18,562)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:				
Reconciling items:				
Depreciation expense		<u>(4,769)</u>		
Change in net position		<u>\$ (62,096)</u>		

GATES COUNTY, NORTH CAROLINA

WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Water sales	\$ 1,157,000	\$ 1,127,333	\$ (29,667)	\$ 1,099,659
Water taps and connection fees	15,000	27,250	12,250	17,750
Miscellaneous	3,000	2,236	(764)	8,971
Total operating revenues	<u>1,175,000</u>	<u>1,156,819</u>	<u>(18,181)</u>	<u>1,126,380</u>
Non-operating revenues:				
Investment earnings	5,000	7,124	2,124	5,880
Total non-operating revenues	<u>5,000</u>	<u>7,124</u>	<u>2,124</u>	<u>5,880</u>
Total revenues	<u>1,180,000</u>	<u>1,163,943</u>	<u>(16,057)</u>	<u>1,132,260</u>
Expenditures:				
Water and sewer operations:				
Salaries and benefits	248,010	230,525	17,485	248,849
Operating expenditures	294,111	214,825	79,286	183,290
Capital outlay	80,000	20,809	59,191	28,142
Reimbursement for General Fund administration	396,177	359,970	36,207	281,590
Total operations	<u>1,018,298</u>	<u>826,129</u>	<u>192,169</u>	<u>741,871</u>
Debt service:				
Principal payment	173,989	173,989	-	170,950
Interest and fees	2,313	2,313	-	5,352
Total debt service	<u>176,302</u>	<u>176,302</u>	<u>-</u>	<u>176,302</u>
Total expenditures	<u>1,194,600</u>	<u>1,002,431</u>	<u>192,169</u>	<u>918,173</u>
Revenues over (under) expenditures	<u>(14,600)</u>	<u>161,512</u>	<u>176,112</u>	<u>214,087</u>

GATES COUNTY, NORTH CAROLINA

WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers (to) from other funds	(433,401)	(350,199)	83,202	-
Appropriated fund balance	448,001	-	(448,001)	-
Total other financing sources (uses)	14,600	(350,199)	(364,799)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (188,687)	\$ (188,687)	\$ 214,087
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:				
Revenues and other financing sources over (under) expenditures and other financing uses		\$ (188,687)		
Reconciling items:				
Transfer (intrafund) to Enterprise Fund Capital Project		350,199		
Transfer in project from general fund		350,199		
Debt principal		173,989		
Change in accrued vacation pay		2,814		
Depreciation		(219,627)		
Decrease deferred outflows - pension		(199)		
Decrease in net pension asset		(15,934)		
Increase in net pension liability		(12,702)		
Decrease in deferred inflows - pension		32,652		
Increase in other post-employment benefits		(12,392)		
Total reconciling items		648,999		
Change in net position		\$ 460,312		

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, 2016

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Revenues:				
Restricted intergovernmental	\$ 350,000	\$ 350,000	\$ -	\$ 350,000
Expenditures:				
Construction costs	2,006,750	1,316,101	524,245	1,840,346
Revenues over (under) expenditures	(1,656,750)	(966,101)	(524,245)	(1,490,346)
Other Financing Sources (Uses):				
Transfer in	1,656,750	789,948	700,398	1,490,346
Net change in fund balance	\$ -	\$ (176,153)	176,153	\$ -
Fund Balance:				
Beginning of year - July 1			(176,153)	
End of year - June 30			\$ -	

GATES COUNTY, NORTH CAROLINA

FLEET MANAGEMENT FUND
 SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
 IN NET POSITION - FINANCIAL PLAN AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Financial Plan	Actual	Variance Over/Under	Actual
Operating Revenues:				
Charges	\$ 12,000	\$ -	\$ (12,000)	\$ 3,973
Operating Expenses:				
Fleet maintenance expenses	12,000	-	12,000	1,022
Revenues over (under) expenses	\$ -	\$ -	\$ -	\$ 2,951
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Total revenues		\$ -		\$ 3,973
Total expenses		-		1,022
Change in net position		\$ -		\$ 2,951

GATES COUNTY, NORTH CAROLINA

**AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
Social Services:				
Assets:				
Cash and cash equivalents	\$ 774	\$ 22,014	\$ (21,480)	\$ 1,308
Liabilities:				
Miscellaneous liabilities	\$ 774	\$ 22,014	\$ (21,480)	\$ 1,308
Fines and Forfeitures				
Assets:				
Cash and cash equivalents	\$ -	\$ 55,505	\$ (55,505)	\$ -
Liabilities:				
Intergovernmental payable - State of NC	\$ -	\$ 55,505	\$ (55,505)	\$ -
Drainage District I:				
Assets:				
Receivables	\$ 9	\$ 1,561	\$ (1,554)	\$ 16
Liabilities:				
Miscellaneous	\$ 9	\$ 1,561	\$ (1,554)	\$ 16
Drainage District III:				
Assets:				
Receivables	\$ 33	\$ 2,035	\$ (2,021)	\$ 47
Liabilities:				
Miscellaneous	\$ 33	\$ 2,035	\$ (2,021)	\$ 47
Drainage District IV:				
Assets:				
Receivables	\$ 8	\$ 4,586	\$ (4,589)	\$ 5
Liabilities:				
Miscellaneous	\$ 8	\$ 4,586	\$ (4,589)	\$ 5

GATES COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
Town of Gatesville:				
Assets:				
Receivables	\$ 3,182	\$ 57,908	\$ (59,181)	\$ 1,909
Liabilities:				
Miscellaneous	\$ 3,182	\$ 57,908	\$ (59,181)	\$ 1,909
Totals - All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 774	\$ 77,519	\$ (76,985)	\$ 1,308
Receivables	3,232	66,090	(67,345)	1,977
Total assets	<u>\$ 4,006</u>	<u>\$ 143,609</u>	<u>\$ (144,330)</u>	<u>\$ 3,285</u>
Liabilities:				
Miscellaneous liabilities	<u>\$ 4,006</u>	<u>\$ 143,609</u>	<u>\$ (144,330)</u>	<u>\$ 3,285</u>

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND
JUNE 30, 2016

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2015</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016	\$ -	\$ 6,268,470	\$ 6,055,765	\$ 212,705
2014-2015	223,539	-	162,054	61,485
2013-2014	76,799	-	34,275	42,524
2012-2013	48,251	-	9,301	38,950
2011-2012	35,117	-	5,117	30,000
2010-2011	25,388	-	3,025	22,363
2009-2010	26,609	-	3,656	22,953
2008-2009	33,225	-	3,777	29,448
2007-2008	29,540	-	1,897	27,643
2006-2007	23,001	-	1,224	21,777
2005-2006	20,685	-	20,685	-
Total	<u>\$ 542,154</u>	<u>\$ 6,268,470</u>	<u>\$ 6,300,776</u>	509,848
Less: Allowance for uncollectible accounts				<u>(251,037)</u>
Ad valorem taxes receivable - net:				
General Fund				<u>\$ 258,811</u>
Reconciliation with Revenues:				
Taxes - ad valorem - General Fund				\$ 6,324,989
Reconciling items:				
Penalties and interest				(63,230)
Refunds and other adjustments				2,086
Miscellaneous adjustments				16,246
Amounts written off per Statute of Limitations				<u>20,685</u>
Total collections and credits				<u>\$ 6,300,776</u>

GATES COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2016

	County-Wide		Total Levy		
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 976,659,688	\$ 0.640	\$ 6,250,622	\$ 5,636,816	\$ 613,806
Discoveries:					
Current year taxes	2,462,813		15,762	15,762	-
Abatements	<u>325,938</u>		<u>2,086</u>	<u>2,086</u>	<u>-</u>
Total property valuation	<u>\$ 979,448,438</u>				
Net Levy			6,268,470	5,654,664	613,806
Uncollected taxes at June 30, 2016			<u>(212,705)</u>	<u>(212,705)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 6,055,765</u>	<u>\$ 5,441,959</u>	<u>\$ 613,806</u>
Current Levy Collection Percentage			<u>96.61%</u>	<u>96.24%</u>	<u>100.00%</u>

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

Independent Auditor's Report

To the Board of Commissioners
Gates County
Gatesville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gates County, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 9, 2016. Our report includes a reference to other auditors who audited the financial statements of the Gates County ABC Board as described in our report on Gates County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Gates County ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings, Responses, and Questioned Costs, as item 2016-002, to be a material weakness.

A *significant deficiency* is a deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings, Responses, and Questioned Costs, as item 2016-001, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gates County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2016-002.

Responses to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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, NC
December 9, 2016

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Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance with OMB Uniform Guidance; And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of County Commissioners
Gates County
Gatesville, North Carolina

Report On Compliance for Each Major Federal Program

We have audited Gates County, North Carolina's, compliance with the types of compliance requirements described in the *OMB 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 Gates County's major federal programs for the year ended June 30, 2016. 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State Single Audit Implementation Act. Those standards, OMB Uniform Guidance, 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.

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

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, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Uniform Guidance and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2016-005. Our opinion on each major federal program is not modified with respect to this matter.

Gates County's response to the noncompliance compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Gates County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report On Internal Control Over Compliance

Management of Gates County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Gates County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the 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 the Uniform Guidance, 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, noncompliance 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance 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 controls over compliance* is a deficiency, or a combination of deficiencies, in internal controls 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2016-003, 2016-004, and 2016-005 that we consider to be material weaknesses.

Gates County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. Gates County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
December 9, 2016

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Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance with OMB Uniform Guidance; And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of County Commissioners
Gates County
Gatesville, North Carolina

Report On Compliance for Each Major State Program

We have audited Gates County, North Carolina's, compliance 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, 2016. 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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with applicable sections of OMB Uniform Guidance, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2016-005. Our opinion on each major state program is not modified with respect to this matter.

Gates County's response to the noncompliance compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Gates County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report On Internal Control Over Compliance

Management of Gates County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Gates County's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the 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 the Uniform Guidance, 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, noncompliance 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance 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 controls over compliance* is a deficiency, or a combination of deficiencies, in internal controls 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings,

Responses and Questioned Costs as items 2016-003, 2016-004 and 2016-005 that we consider to be material weaknesses.

Gates County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. Gates County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
December 9, 2016

GATES COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? Yes
- Significant deficiency (s) identified? Yes

Non-compliance material to financial statements noted? Yes

Federal Awards

Internal control over major federal programs:

- Material weakness (es) identified? X Yes No
- Significant deficiency (s) identified? Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes No

Identification of major federal programs:

Federal Program/Cluster Name

CFDA#

Medicaid Cluster 93.775, 93.777, 93.778

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? Yes X No

GATES COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I – Summary of Auditor's Results - Continued

State Awards

Internal control over major State programs:

- Material weakness(es) identified? X Yes No
- Significant deficiency (s) identified? Yes X None reported

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

Unmodified

Any findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

 X Yes No

Identification of major State programs:

Medicaid Cluster

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY

2016-001 External auditor prepared draft

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 Director.

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

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

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

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2015-001.

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.

View of Responsible Officials and Planned Corrective Actions: The County agrees with this finding and will adhere to the corrective action plan on page 116 of the audit report.

GATES COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section II – Financial Statement Findings

MATERIAL WEAKNESS/ MATERIAL NONCOMPLIANCE

2016-002 Statute Violation- Expenditures Exceeding Appropriations

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

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

Cause: Lack of monitoring over budgetary compliance to prevent the violation.

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

Context: While reviewing financial statements we noted the condition described above.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2015-002.

Recommendation: Management should review activity throughout the year, preaudit expenditures and make necessary budget amendments to ensure expenditures do not exceed appropriations.

View of Responsible Officials and Planned Corrective Actions: The County agrees with this finding and will adhere to the corrective action plan on page 116 of the audit report.

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section III – Federal Award Findings and Questioned Costs

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA # 93.778

Grant Number: DMA 2016

Finding: 2016-003

Material Weakness

Eligibility

Criteria: Management should have an adequate system of internal control procedures in place to properly review and assess the eligibility of individuals to ensure the accuracy of the benefits being provided is within program requirements. Verification of accuracy of information used in determining eligibility should be performed by management. Evidence of the review should be documented and include authorized signatures.

Condition: The County Department of Social Services did not have adequate review controls in place to ensure the proper eligibility determinations were being made and documented. The County did not have evidence of reviews being performed over the program tested for the entire period under audit.

Context: The County did not have evidence of reviews being performed over the program tested for over six months during period under audit.

Effect: Casefiles could be missing the required eligibility determination documentation which would allow benefits to be provided to individuals who are not eligible.

Cause: Weakness in implementation of controls over second party review procedures performed by management.

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

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2015-003.

Recommendation: Management should adhere to the County's policy in implementing second party reviews. Evidence of documentation of reviews should be retained and include signatures of all parties involved during the review. Any deficiencies noted during the review should be corrected within a timely manner and documented as such.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with this finding. Please refer to the corrective action plan.

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section III – Federal Award Findings and Questioned Costs

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA # 93.778

Grant Number: DMA 2016

Finding: 2016-004

Material Weakness

Eligibility

Criteria: Management should have an adequate system of internal control procedures in place to ensure budgets are properly calculated for applicants during eligibility review process and such documentation is retained in the applicants' case file.

Condition: Two applicants did not have evidence of budget calculation in their case file during the fiscal year. Upon further review and calculation of supporting documentation both participants were still eligible for benefits.

Context: Of the 1,992 casefiles, we examined 60 and determined that budget calculations had not been retained for two participants. Upon further review and calculation of supporting documentation both participants were still eligible for benefits.

Effect: Casefiles could contain incorrect budget calculations thus making a participant eligible, when they should not be, or causing a participant to be denied when they should be eligible.

Cause: Caseworker failed to retain budget calculation documentation.

Questioned Costs: None. The County was able to substantiate that the applicant was eligible to receive benefits.

Recommendation: Caseworkers should look over their eligibility determinations and go back through their checklist of items required before approving benefits.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with this finding. Please refer to the corrective action plan.

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section III – Federal Award Findings and Questioned Costs

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA # 93.778

Grant Number: DMA 2016

Finding: 2016-005

Material Weakness

Nonmaterial noncompliance

Eligibility

Criteria: Management should have an adequate system of internal control procedures in place to ensure active casefiles are eligible for benefits.

Condition: One of the applicants had been denied SSI benefits, and the County extended benefits during the appeals process. Once the appeal was denied, participant was no longer eligible for benefits. The participant continued receiving benefits for five months after appeal denial.

Context: Of the 1,992 casefiles, we examined 60 and for one participant we determined ineligible due to a change in SSI benefits. Participant's appeal for SSI was denied and County did not terminate program benefits upon denial decision.

Effect: Participant could receive benefits they are not eligible for due to change in SSI benefits.

Cause: Caseworker did not reflect the denial of SSI in benefits and case was not terminated timely.

Questioned Costs: \$3,185

Recommendation: Caseworkers should look over their eligibility determinations and ensure all items on their checklist of items required before approving benefits are contained in the casefile.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with this finding. Please refer to the corrective action plan.

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Section IV – State Award Findings and Questioned Costs

N.C. Department of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

Finding: 2016-003 - Management should have an adequate system of internal control procedures in place to properly review and assess the eligibility of individuals to ensure the accuracy of the benefits being provided is within program requirements. Verification of accuracy of information used in determining eligibility should be performed by management. Evidence of the review should be documented and include authorized signatures. See more details at Finding 2016-003 in Section III – Federal Award Findings and Questioned Costs.

Finding: 2016-004 – Management should have an adequate system of internal control procedures in place to ensure budgets are properly calculated for applicants during eligibility review process and such documentation is retained in the applicants’ case file. See more details at Finding 2016-004 in Section III – Federal Award Findings and Questioned Costs.

Finding: 2016-005 – Management should have an adequate system of internal control procedures in place to ensure active casefiles are eligible for benefits. See more details at Finding 2016-005 in Section III – Federal Award Findings and Questioned Costs.

GATES COUNTY, NORTH CAROLINA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings

Finding: 2016-001

Name of Contact Person: Sandy Pittman, Finance Director

Corrective Action/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.

Proposed Completion Date: Management and the Board will implement the above procedure immediately.

Finding: 2016-002

Name of Contact Person: Sandy Pittman, Finance Director

Corrective Action/Management’s Response: Management concurs with the finding. Care will be taken to ensure that funds are monitored and necessary budget amendments and transfers are made to ensure expenditures do not exceed appropriations in the future.

Proposed Completion Date: Management and the Board will implement the above procedure immediately.

GATES COUNTY, NORTH CAROLINA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2016

Section III – Federal Award Findings and Questioned Costs

Finding: 2016-003

Name of Contact Person: Antoinette Holley, DSS Director

Corrective Action/Management's Response: Management concurs with the condition, context, and recommendations. Management and the Board will adhere to recommendations set forth and ensure that procedures are implemented to correct in future years.

Proposed Completion Date: Management and the Board will implement the above procedure immediately.

Finding: 2016-004

Name of Contact Person: Antoinette Holley, DSS Director

Corrective Action/Management's Response: Management concurs with the condition, context, and recommendations. Management and the Board will adhere to recommendations set forth and ensure that procedures are implemented to correct in future years.

Proposed Completion Date: Management and the Board will implement the above procedure immediately.

Finding: 2016-005

Name of Contact Person: Antoinette Holley, DSS Director

Corrective Action/Management's Response: Management concurs with the condition, context, and recommendations. Management and the Board will adhere to recommendations set forth and ensure that procedures are implemented to correct in future years.

Proposed Completion Date: Management and the Board will implement the above procedure immediately.

GATES COUNTY, NORTH CAROLINA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2016

Section IV – State Award Findings and Questioned Costs

Finding: 2016-003

See Finding 2016-003 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

Finding: 2016-004

See Finding 2016-004 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

Finding: 2016-005

See Finding 2016-005 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

GATES COUNTY, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Finding: 2015-001

Status: The County continues to exercise due care during review of the financial statements.

Corrective action: Management is aware of the weakness but 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 as the County is responsible for the accuracy of the audited financial statements.

Finding: 2015-002

Status: The County will continue to monitor budgeting to ensure compliance with necessary requirements in the future.

Corrective action: Management is aware of the weakness and plans to implement additional monitoring controls to ensure compliance with General Statutes.

Finding: 2015-003

Status: The County continues to exercise due care during review of case files.

Corrective action: Management is aware of the weakness and will properly review and assess the eligibility of individuals to ensure the accuracy of the benefits being provided is within program requirements.

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
Federal Awards:				
U.S. Department of Agriculture				
Food and Nutrition Service:				
Passed-through N.C. Department of Health and Human Services:				
Division of Social Services:				
Administration:				
State Nutrition Assistance Program (SNAP) Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	WC302	\$ 191,526	\$ -
Total Supplemental Nutrition Assist. Program Cluster			<u>191,526</u>	<u>-</u>
Passed-through the NC Department of Health and Human Services:				
Division of Public Health:				
Direct Benefit Payments:				
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	5NC700705	90,958	-
U.S. Department of Transportation				
Federal Transit Administration:				
Passed through the N.C. Department of Transportation:				
Formula Grants for Rural Areas	20.509	36233.43.14.1	122,077	8,097
Transit Services Programs Cluster				
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	51001.70.3.1	33,913	-
Job Access and Reverse Commute Program	20.516	51002.22.2.2	14,996	-
Total Transit Services Programs Cluster			<u>48,909</u>	<u>-</u>
Total U.S. Department of Transportation			<u>170,986</u>	<u>8,097</u>
U.S. Department of Homeland Security				
Passed-through NC Department of Crime Control and Public Safety:				
Homeland Security Grant Program	97.067	EMW-2014-SS-00069-S01	14,124	-
Hazard Mitigation Grant	97.039	HMGF-1969-004	843	-
Emergency Management Performance Grants	97.042	EMPG-2016-37073	38,542	-
Total U.S. Department of Homeland Security			<u>53,509</u>	<u>-</u>
U.S. Department of Health and Human Services				
Administration for Children and Families				
Passed-through the NC Dept. of Health and Human Services:				
Division of Social Services:				
<u>Foster Care and Adoption Cluster: (Note 3)</u>				
Foster Care Title IV-E- Administration	93.658	WC 302	12,496	3,029
Adoption Assistance-Direct Benefit	93.659	WC 302	4,614	1,179
Total Foster Care and Adoption Cluster			<u>17,110</u>	<u>4,208</u>
Temporary Assistance for Needy Families Cluster:				
Temporary Assistance for Needy Families State Programs/Work First	93.558	WC 302	98,296	-
Temporary Assistance for Needy Families State Programs/ Work First- Direct Benefit Payments	93.558	WC 302	79,809	-
Total TANF Cluster			<u>178,105</u>	<u>-</u>
Child Support Enforcement	93.563	WC 302	109,051	
Low-Income Home Energy Assistance Block Grant:				
Low-Income Home Energy Assistance - Direct Benefit Payments	93.568	WC 302	87,370	-
Chafee Foster Care Independence Program	93.674	WC 302	627	157
Stephanie Tubbs Jones Child Welfare Services Program	93.645	WC 302	434	-
Social Services Block Grant	93.667	WC 302	90,755	6,394

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
Division of Child Development:				
Child Care Development Fund Cluster:				
Division of Social Services:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	WC 302	65,796	-
Division of Child Development:				
Child Care and Development Block Grant- Discretionary	93.575	Listpay 1	114,164	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Mandatory	93.596	Listpay 1	41,583	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Match	93.596	Listpay 1	13,065	-
Total Child Care Development Fund Cluster			<u>234,608</u>	<u>-</u>
Temporary Assistance for Needy Families State Program	93.558	Listpay 1	34,670	-
Foster Care Title IV-E	93.658	Listpay 1	2,510	1,287
State Appropriations			-	3,235
TANF - MOE			-	13,597
Total Subsidized Childcare Cluster			<u>271,788</u>	<u>18,119</u>
Centers for Medicare and Medicaid Services				
Passed-through the N.C. Department of Health and Human Services:				
Division of Medical Assistance:				
Medicaid Cluster				
Direct Benefit Payments:				
Medical Assistance Program	93.778	XXXX	8,243,226	4,561,924
Division of Social Services:				
Administration:				
Medical Assistance Program	93.778	WC 302	388,773	1,765
Total Medicaid Cluster			<u>8,631,999</u>	<u>4,563,689</u>
Direct Benefit Payment:				
Children's Health Insurance Program	93.767	XXXX	158,119	7,576
Administration:				
Children's Health Insurance Program	93.767	WC 302	16,866	780
Total Federal Awards			<u>\$ 10,069,203</u>	<u>\$ 4,609,020</u>
State Awards:				
N.C. 911 Board				
Gates County E911 PSAP Consolidation		XXXX		149,000
N.C. Department of Health and Human Services:				
Division of Aging and Adult Services:				
Seniors' Health Insurance Information Program (SHIIP)		XXXX		2,050
Division of Social Services:				
SC/SA Domiciliary Care		XXXX		103,988
ST Child Welfare/CPS/CS LD		XXXX		5,273
Total Division of Social Services				<u>109,261</u>
Total N.C. Department of Health and Human Services				<u>111,311</u>
N.C. Department of Juvenile Justice and Delinquency Prevention:				
Juvenile Crime Prevention Program		XXXX		32,831
CBA Genesis		XXXX		23,341
Total N.C. Department of Juvenile Justice and Delinquency Prevention				<u>56,172</u>
N.C. Department of Public Instruction:				
Public School Capital Building Fund		XXXX		111,930

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>
N.C. Department of Environmental Quality				
Soil & Water Conservation		XXXX		20,504
N.C. Department of Transportation:				
Rural Operating Assistance Program (ROAP) Cluster				
ROAP Elderly and Disabled Transportation Assistance Program		XXXX		44,358
ROAP Rural General Public Program		XXXX		43,487
ROAP Work First Transitional- Employment		XXXX		5,141
Total ROAP Cluster				<u>92,986</u>
Total State Awards				<u>541,903</u>
Total Federal and State Awards			<u>\$ 10,069,203</u>	<u>\$ 5,150,923</u>

Notes to the Schedule of Expenditures of Federal and State Awards**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of Gates County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of Gates County, it is not intended to and does not present the financial position, changes in net position or cash flows of Gates County.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Gates County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Clustered Programs

The following are clustered by the NC Department of Health and Human Services and are treated separately for State audit requirement purposes: Subsidized Child Care and Foster Care and Adoption.