

**GATES COUNTY
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

**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, 2012

FINANCE DIRECTOR: SANDY PITTMAN

GATES COUNTY, NORTH CAROLINA

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2012

Board of Commissioners

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

Principal Officials

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

This page left blank intentionally.

GATES COUNTY, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

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

GATES COUNTY, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Required Supplemental Financial Data:	
A-1	Other Post-Employment Benefits - Retiree Health Plan - Required Supplementary Information	51
A-2	Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information	52
	Supplementary Information:	
	General Fund:	
B-1	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund Consolidated	53
B-2	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	54-59
	Revaluation Fund:	
B-3	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	60
	USDA Loan Reserve Fund:	
B-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	61
	Library Capital Project Fund	
B-5	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	62
	Special Revenue Funds:	
C-1	Combining Balance Sheet - Nonmajor Special Revenue Funds	63-64
C-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	65-66
C-3	Emergency Telephone System Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	67

GATES COUNTY, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

<u>Schedule</u>	Special Revenue Funds (continued):	<u>Page</u>
C-4	Fire Protection Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	68
C-5	CDBG Scattered Site Grant Project: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	69
C-6	CDBG Capacity Building Grant: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	70
	Enterprise Funds:	
D-1	Landfill Fund: Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	71
D-2	Water Fund: Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	72-73
D-3	Waste Water Treatment Facility Capital Project Fund: Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	74\
	Agency Funds:	
E-1	Combining Schedule of Changes in Assets and Liabilities	75-76
	Additional Financial Data:	
F-1	Schedule of Ad Valorem Taxes Receivable - General Fund	77
F-2	Analysis of Current Tax Levy - County-Wide Levy	78

This page left blank intentionally.

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

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

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Gates County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gates County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gates County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Gates County ABC Board. Those financial statements were audited by another auditor whose report thereon has been furnished to us; and our opinion on the financial statement, insofar as it relates to the amounts included for the Gates County ABC Board, is based solely on the report of the other auditor.

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

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gates County, North Carolina, as of June 30, 2012, the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2012 on our consideration of Gates County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit prepared in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of Gates County, North Carolina as a whole. The combining and individual fund financial statements, budget and actual schedules, and the supplemental ad valorem tax schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 22, 2012

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, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

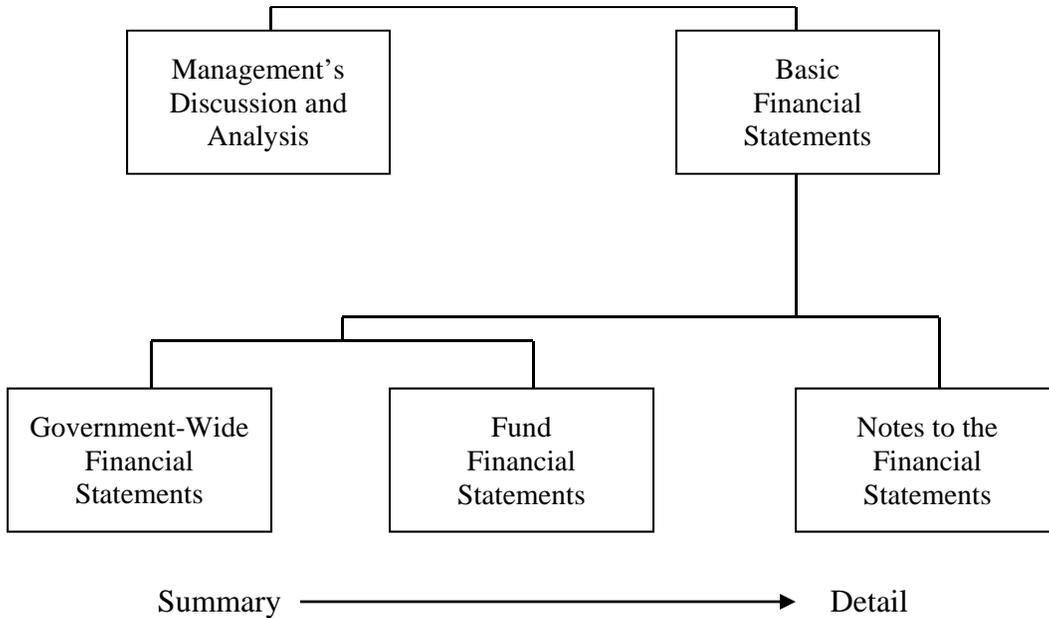
- The assets of Gates County exceeded its liabilities at the close of the fiscal year by \$6,900,519 (*net assets*).
- The County's total net assets increased by \$1,408,897.
- As of the close of the current fiscal year, Gates County's total governmental funds reported combined ending fund balances of \$5,272,683, an increase of \$1,414,400 from 2011. The increase was due to the issuance of long-term debt for the Library Capital Project.
- At the end of the current fiscal year, total fund balance for the General Fund was \$3,579,394, an increase of \$174,079 from 2011; \$45,182 of this amount was due to the Revaluation and USDA loan reserve funds being consolidated into the General Fund as part of GASB 54 reporting requirements. The General Fund reported operating revenues in excess of expenditures of \$338,200 before net transfers out of \$164,121.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

Gates County's Net Assets

Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets:						
Current and other assets	\$ 5,942,775	\$ 4,492,737	\$ 2,659,793	\$ 2,403,608	\$ 8,602,568	\$ 6,896,345
Capital assets	4,228,045	3,889,875	5,324,528	4,969,834	9,552,573	8,859,709
Total assets	<u>10,170,820</u>	<u>8,382,612</u>	<u>7,984,321</u>	<u>7,373,442</u>	<u>18,155,141</u>	<u>15,756,054</u>
Liabilities:						
Current liabilities	1,654,439	1,286,877	450,299	239,674	2,104,738	1,526,551
Other liabilities	8,521,544	7,973,993	628,340	763,888	9,149,884	8,737,881
Total liabilities	<u>10,175,983</u>	<u>9,260,870</u>	<u>1,078,639</u>	<u>1,003,562</u>	<u>11,254,622</u>	<u>10,264,432</u>
Net Assets:						
Invested in capital assets, net of related debt	967,729	2,086,994	4,646,596	4,135,918	5,614,325	6,222,912
Restricted:						
Stabilization for State statute	657,227	750,259	-	-	657,227	750,259
All other	1,766,315	494,875	-	-	1,766,315	494,875
Unrestricted	<u>(3,396,434)</u>	<u>(4,210,386)</u>	<u>2,259,086</u>	<u>2,233,962</u>	<u>(1,137,348)</u>	<u>(1,976,424)</u>
Total net assets	<u>\$ (5,163)</u>	<u>\$ (878,258)</u>	<u>\$ 6,905,682</u>	<u>\$ 6,369,880</u>	<u>\$ 6,900,519</u>	<u>\$ 5,491,622</u>

As noted earlier, net assets, over time, may serve as a useful indicator of a government's financial position. For Gates County, assets exceeded liabilities by \$6,900,519 at the close of the most recent fiscal year.

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

At the end of the current fiscal year, Gates County is reporting deficit unrestricted net assets in the amount of \$(1,137,348) for the government as a whole. It should be noted that the County is carrying roughly \$5.1 million in debt related to schools. Schools are not recorded as assets on the County's books; they are recorded as assets by the Board of Education.

Gates County's Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 2,051,515	\$ 1,847,586	\$ 1,709,121	\$ 1,670,090	\$ 3,760,636	\$ 3,517,676
Operating grants and contributions	327,995	431,122	-	-	327,995	431,122
Capital grants and contributions	460,318	646,666	240,563	-	700,881	646,666
General revenues:						
Property taxes	6,020,634	5,955,074	-	-	6,020,634	5,955,074
Local option sales tax	1,871,721	1,710,404	-	-	1,871,721	1,710,404
Other taxes	454,161	527,684	-	-	454,161	527,684
Investment earnings	12,707	8,171	6,993	6,202	19,700	14,373
Total revenues	11,199,051	11,126,707	1,956,677	1,676,292	13,155,728	12,802,999
Expenses:						
General government	1,509,123	1,506,401	-	-	1,509,123	1,506,401
Public safety	1,864,256	1,962,532	-	-	1,864,256	1,962,532
Economic and physical development	1,196,293	1,158,787	-	-	1,196,293	1,158,787
Human services	2,229,530	2,146,660	-	-	2,229,530	2,146,660
Cultural and recreation	347,315	341,487	-	-	347,315	341,487
Education	2,693,195	2,695,963	-	-	2,693,195	2,695,963
Interest on long-term debt	308,184	343,271	-	-	308,184	343,271
Water	-	-	917,105	1,041,134	917,105	1,041,134
Landfill	-	-	681,830	631,892	681,830	631,892
Total expenses	10,147,896	10,155,101	1,598,935	1,673,026	11,746,831	11,828,127
Change in net assets before transfers	1,051,155	971,606	357,742	3,266	1,408,897	974,872
Transfers	(178,060)	-	178,060	-	-	-
Change in net assets	873,095	971,606	535,802	3,266	1,408,897	974,872
Net Assets:						
Beginning of year - July 1	(878,258)	(1,849,864)	6,369,880	6,366,614	5,491,622	4,516,750
End of year - June 30	\$ (5,163)	\$ (878,258)	\$ 6,905,682	\$ 6,369,880	\$ 6,900,519	\$ 5,491,622

Governmental Activities. Governmental activities increased the County's net assets by \$873,095. Key elements of this increase are as follows:

- Increases in local option sales taxes over fiscal year 2011 amounts
- Capital grants and contributions in the current year of roughly \$460,000.

Business-Type Activities. Business-type activities increased Gates County's net assets by \$535,802. Key elements of this increase are as follows:

- Water Fund reported operating income of \$430,394 in the current year
- Capital grants and contributions received totaled approximately \$240,000.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, Gates County's governmental funds reported combined ending fund balances of \$5,272,683, an increase of \$1,414,400 in comparison with 2011. This increase is attributed to the library construction project.

The General Fund is the principal operating fund of Gates County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,527,435 while total fund balance for the General Fund reached \$3,579,394. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24 percent of total General Fund expenditures, while total fund balance represents 35 percent of that same amount. Available fund balance, which is total fund balance less non-spendable fund balance less Stabilization by State statute amounts, totaled \$2,938,979 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 \$321,261. The majority of this increase was attributable to increases in restricted intergovernmental revenues.

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

Unrestricted net assets at June 30, 2012 were \$436,086 and \$1,823,000 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 \$9,552,573 (net of accumulated depreciation) as of June 30, 2012. These assets include land buildings, other improvements, equipment, vehicles, and plant and systems.

Gates County's Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 362,237	\$ 290,237	\$ 27,476	\$ 27,476	\$ 389,713	\$ 317,713
Construction in progress	87,784	861,360	580,730	-	668,514	861,360
Buildings	4,176,735	3,315,375	-	-	4,176,735	3,315,375
Other improvements	344,555	142,809	-	-	344,555	142,809
Equipment	927,426	774,422	429,035	429,035	1,356,461	1,203,457
Vehicles	818,836	822,833	175,117	175,117	993,953	997,950
Plant and systems	-	-	9,134,858	9,134,858	9,134,858	9,134,858
Subtotal	6,717,573	6,207,036	10,347,216	9,766,486	17,064,789	15,973,522
Less accumulated depreciation	(2,489,528)	(2,317,161)	(5,022,688)	(4,796,652)	(7,512,216)	(7,113,813)
Total	<u>\$ 4,228,045</u>	<u>\$ 3,889,875</u>	<u>\$ 5,324,528</u>	<u>\$ 4,969,834</u>	<u>\$ 9,552,573</u>	<u>\$ 8,859,709</u>

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

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

Gates County's Long-Term Obligations

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Notes payable	\$ 8,407,842	\$ 7,902,504	\$ 677,932	\$ 833,916	\$ 9,085,774	\$ 8,736,420
Compensated absences	231,460	252,996	26,056	26,607	257,516	279,603
LEO	129,124	118,011	-	-	129,124	118,011
OPEB	1,126,533	758,395	95,895	60,963	1,222,428	819,358
Total	<u>\$ 9,894,959</u>	<u>\$ 9,031,906</u>	<u>\$ 799,883</u>	<u>\$ 921,486</u>	<u>\$ 10,694,842</u>	<u>\$ 9,953,392</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Gates County is \$73,638,773.

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

Economic Factors and Next Year's Budget and Rates

- The tax rate, which was set in FY 2009-2010, has remained unchanged again for this budget year.
- The Merchant's Commerce Park will have its first business open in FY 2012-13.
- The County's first commercially available wastewater district will begin operations in late Fall of this year.
- Gates County will have opened its new library that will serve the citizens of the entire County in a more geographically equitable manner.
- The County has continued the use of its CIP (Capital Improvement Plan) which has addressed long ignored capital projects throughout the County.
- Gates County's August 2012 unemployment rate stands at 8.2%. This rate stands favorably, ranking Gates County as the 12th lowest County unemployment rate in North Carolina. Additionally, the rate is positive when compared to the overall North Carolina rate of 9.7% over the same period.

All of these factors were considered in preparing Gates County's budget for the 2012-2013 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2013

Governmental Activities. During FY 2011-2012, the annual property tax base was virtually flat, only growing by 0.5%. However, the previous year's decline in the base has abated and continued commercial growth in the County, especially in the Merchant's Commerce Center, has the potential to increase the trajectory of the property tax base at a sustainable level into the future.

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.

This page left blank intentionally.

GATES COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Gates County ABC Board
Assets:				
Cash and cash equivalents	\$ 3,371,121	\$ 2,036,409	\$ 5,407,530	\$ 74,309
Taxes receivable, net	389,068	-	389,068	-
Accounts receivable, net	21,654	373,217	394,871	-
Due from other governments	635,573	229,800	865,373	-
Inventory	-	20,367	20,367	108,779
Prepaid items	-	-	-	968
Cash and cash equivalents, restricted	1,525,359	-	1,525,359	-
Capital assets:				
Non-depreciable capital assets	450,021	608,206	1,058,227	-
Depreciable capital assets, net	3,778,024	4,716,322	8,494,346	324,183
Total assets	10,170,820	7,984,321	18,155,141	508,239
Liabilities:				
Accounts payable and accrued expenses	241,869	278,756	520,625	47,527
Unearned revenues	39,155	-	39,155	-
Long-term liabilities:				
Due within one year	1,373,415	171,543	1,544,958	-
Due in more than one year	8,521,544	628,340	9,149,884	-
Total liabilities	10,175,983	1,078,639	11,254,622	47,527
Net Assets:				
Invested in capital assets, net of related debt	967,729	4,646,596	5,614,325	324,184
Restricted:				
Stabilization for State statute	657,227	-	657,227	-
All other	1,766,315	-	1,766,315	17,470
Capital improvements	-	-	-	32,500
Unrestricted	(3,396,434)	2,259,086	(1,137,348)	86,558
Total net assets	\$ (5,163)	\$ 6,905,682	\$ 6,900,519	\$ 460,712

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

GATES COUNTY, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 1,509,123	\$ 344,486	\$ -	\$ -
Public safety	1,864,256	84,921	-	-
Economic and physical development	1,196,293	20,531	79,819	354,983
Human services	2,229,530	1,601,577	248,176	-
Cultural and recreational	347,315	-	-	-
Education	2,693,195	-	-	105,335
Interest on long-term debt	308,184	-	-	-
Total governmental activities	<u>10,147,896</u>	<u>2,051,515</u>	<u>327,995</u>	<u>460,318</u>
Business-Type Activities:				
Landfill Fund	681,830	776,331	-	10,023
Water Fund	917,105	932,790	-	230,540
Total business-type activities	<u>1,598,935</u>	<u>1,709,121</u>	<u>-</u>	<u>240,563</u>
Total primary government	<u>\$ 11,746,831</u>	<u>\$ 3,760,636</u>	<u>\$ 327,995</u>	<u>\$ 700,881</u>
Component Unit:				
ABC Board	<u>\$ 591,161</u>	<u>\$ 586,360</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Investment earnings, unrestricted

Total general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net Assets:

Beginning of year - July 1

End of year - June 30

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

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Gates County ABC Board
\$ (1,164,637)	\$ -	\$ (1,164,637)	
(1,779,335)	-	(1,779,335)	
(740,960)	-	(740,960)	
(379,777)	-	(379,777)	
(347,315)	-	(347,315)	
(2,587,860)	-	(2,587,860)	
(308,184)	-	(308,184)	
<u>(7,308,068)</u>	<u>-</u>	<u>(7,308,068)</u>	
-	104,524	104,524	
-	246,225	246,225	
-	350,749	350,749	
<u>(7,308,068)</u>	<u>350,749</u>	<u>(6,957,319)</u>	
			\$ (4,801)
6,020,634	-	6,020,634	-
1,871,721	-	1,871,721	-
454,161	-	454,161	-
12,707	6,993	19,700	106
8,359,223	6,993	8,366,216	106
<u>(178,060)</u>	<u>178,060</u>	<u>-</u>	<u>-</u>
<u>8,181,163</u>	<u>185,053</u>	<u>8,366,216</u>	<u>106</u>
873,095	535,802	1,408,897	(4,695)
<u>(878,258)</u>	<u>6,369,880</u>	<u>5,491,622</u>	<u>465,407</u>
<u>\$ (5,163)</u>	<u>\$ 6,905,682</u>	<u>\$ 6,900,519</u>	<u>\$ 460,712</u>

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

GATES COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General Fund</u>	<u>Library Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 3,104,756	\$ -	\$ 266,365	\$ 3,371,121
Taxes receivable, net	389,068	-	-	389,068
Accounts receivable, net	12,885	-	8,769	21,654
Due from other governments	627,530	-	8,043	635,573
Cash and cash equivalents, restricted	<u>72,355</u>	<u>1,453,004</u>	<u>-</u>	<u>1,525,359</u>
Total assets	<u>\$ 4,206,594</u>	<u>\$ 1,453,004</u>	<u>\$ 283,177</u>	<u>\$ 5,942,775</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 198,977	\$ 40,231	\$ 2,661	\$ 241,869
Deferred revenue	<u>428,223</u>	<u>-</u>	<u>-</u>	<u>428,223</u>
Total liabilities	<u>627,200</u>	<u>40,231</u>	<u>2,661</u>	<u>670,092</u>
Fund Balances:				
Restricted:				
Stabilization for State statute	640,415	-	16,812	657,227
Restricted, all other	89,838	1,412,773	263,704	1,766,315
Committed	23,695	-	-	23,695
Assigned	298,011	-	-	298,011
Unassigned	<u>2,527,435</u>	<u>-</u>	<u>-</u>	<u>2,527,435</u>
Total fund balances	<u>3,579,394</u>	<u>1,412,773</u>	<u>280,516</u>	<u>5,272,683</u>
Total liabilities and fund balances	<u>\$ 4,206,594</u>	<u>\$ 1,453,004</u>	<u>\$ 283,177</u>	

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

Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds. 4,228,045

Deferred revenues in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net assets in the Statement of Net Assets. 389,068

Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (9,894,959)

Net assets of governmental activities, per Exhibit A \$ (5,163)

GATES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Library Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 6,037,056	\$ -	\$ -	\$ 6,037,056
Local option sales taxes	1,871,721	-	-	1,871,721
Other taxes and licenses	39,612	-	353,404	393,016
Unrestricted intergovernmental revenues	61,145	-	-	61,145
Restricted intergovernmental revenues	2,270,768	-	171,559	2,442,327
Permits and fees	103,664	-	-	103,664
Sales and services	209,734	-	-	209,734
Investment earnings	10,803	557	1,347	12,707
Miscellaneous	98,986	-	-	98,986
Total revenues	<u>10,703,489</u>	<u>557</u>	<u>526,310</u>	<u>11,230,356</u>
Expenditures:				
Current:				
General government	1,635,274	-	-	1,635,274
Public safety	1,474,993	-	513,158	1,988,151
Economic and physical development	871,631	87,784	171,665	1,131,080
Human services	2,050,649	-	-	2,050,649
Cultural and recreational	321,820	-	-	321,820
Education	2,708,079	-	-	2,708,079
Debt service:				
Principal	994,662	-	-	994,662
Interest	308,181	-	-	308,181
Total expenditures	<u>10,365,289</u>	<u>87,784</u>	<u>684,823</u>	<u>11,137,896</u>
Revenues over (under) expenditures	<u>338,200</u>	<u>(87,227)</u>	<u>(158,513)</u>	<u>92,460</u>
Other Financing Sources (Uses):				
Transfers from other funds	13,939	-	-	13,939
Transfer to other funds	(178,060)	-	(13,939)	(191,999)
Issuance of long-term debt	-	1,500,000	-	1,500,000
Total other financing sources (uses)	<u>(164,121)</u>	<u>1,500,000</u>	<u>(13,939)</u>	<u>1,321,940</u>
Net change in fund balances	174,079	1,412,773	(172,452)	1,414,400
Fund Balances:				
Beginning of year - July 1	<u>3,405,315</u>	<u>-</u>	<u>452,968</u>	<u>3,858,283</u>
End of year - June 30	<u>\$ 3,579,394</u>	<u>\$ 1,412,773</u>	<u>\$ 280,516</u>	<u>\$ 5,272,683</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, 2012

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

Net changes in fund balances - total governmental funds (Exhibit B)	\$ 1,414,400
<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	(16,422)
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.	648,966
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(310,028)
Proceeds from issuance of debt are reported as revenues in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	(1,500,000)
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.)	994,662
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.	(368,909)
Expenses related to compensated absences and Law Enforcement Officers' Separation Allowance that do not require current financial resources are not reported as expenditures in the governmental funds statement.	<u>10,426</u>
Total changes in net assets of governmental activities	<u>\$ 873,095</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, 2012**

	General Fund			
	Budgeted Amounts		Actual	Variance from Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 6,342,553	\$ 6,342,723	\$ 6,037,056	\$ (305,667)
Local option sales taxes	1,680,000	1,776,000	1,871,721	95,721
Other taxes and licenses	30,500	30,500	39,612	9,112
Unrestricted intergovernmental revenues	53,600	53,600	61,145	7,545
Restricted intergovernmental revenues	2,140,996	2,292,667	2,270,768	(21,899)
Permits and fees	95,000	101,500	103,664	2,164
Sales and services	222,354	222,354	209,734	(12,620)
Investment earnings	7,000	7,000	10,606	3,606
Miscellaneous	21,000	87,920	98,986	11,066
Total revenues	<u>10,593,003</u>	<u>10,914,264</u>	<u>10,703,292</u>	<u>(210,972)</u>
Expenditures:				
Current:				
General government	1,582,335	1,871,684	1,635,274	236,410
Public safety	1,553,394	1,591,926	1,474,993	116,933
Economic and physical development	1,133,042	1,142,229	871,631	270,598
Human services	1,879,644	2,031,570	2,050,649	(19,079)
Cultural and recreational	350,965	351,265	321,820	29,445
Intergovernmental:				
Education	2,708,079	2,708,079	2,708,079	-
Debt service:				
Principal retirement	994,663	994,663	994,662	1
Interest and other charges	305,896	308,196	308,181	15
Total expenditures	<u>10,508,018</u>	<u>10,999,612</u>	<u>10,365,289</u>	<u>634,323</u>
Revenues over (under) expenditures	<u>84,985</u>	<u>(85,348)</u>	<u>338,003</u>	<u>423,351</u>
Other Financing Sources (Uses):				
Transfers from other funds	-	13,939	13,939	-
Transfers to other funds	(44,985)	(262,746)	(223,045)	39,701
Contingency	(40,000)	(40,000)	-	40,000
Appropriated fund balance	-	374,155	-	(374,155)
Total other financing sources (uses)	<u>(84,985)</u>	<u>85,348</u>	<u>(209,106)</u>	<u>(294,454)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>128,897</u>	<u>\$ 128,897</u>
Fund Balance:				
Beginning of year - July 1			<u>3,288,021</u>	
End of year - June 30			<u>\$ 3,416,918</u>	

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Enterprise Funds		
	Landfill Fund	Water Fund	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 318,140	\$ 1,718,269	\$ 2,036,409
Receivables, net	195,368	177,849	373,217
Due from other governments	-	229,800	229,800
Inventories	-	20,367	20,367
Total current assets	<u>513,508</u>	<u>2,146,285</u>	<u>2,659,793</u>
Capital assets:			
Land, improvements, and construction in progress	-	608,206	608,206
Other capital assets, net of depreciation	-	4,716,322	4,716,322
Total capital assets	<u>-</u>	<u>5,324,528</u>	<u>5,324,528</u>
Total assets	<u>513,508</u>	<u>7,470,813</u>	<u>7,984,321</u>
Liabilities:			
Current liabilities:			
Accounts payable	77,422	197,585	275,007
Other accrued liabilities	-	3,749	3,749
Current portion of compensated absences	-	6,514	6,514
Current portion of notes payable	-	165,029	165,029
Total current liabilities	<u>77,422</u>	<u>372,877</u>	<u>450,299</u>
Non-current liabilities:			
Compensated absences	-	19,542	19,542
Notes payable	-	512,903	512,903
Other post-employment benefits	-	95,895	95,895
Total non-current liabilities	<u>-</u>	<u>628,340</u>	<u>628,340</u>
Total liabilities	<u>77,422</u>	<u>1,001,217</u>	<u>1,078,639</u>
Net Assets:			
Invested in capital assets, net of related debt	-	4,646,596	4,646,596
Unrestricted	<u>436,086</u>	<u>1,823,000</u>	<u>2,259,086</u>
Total net assets	<u>\$ 436,086</u>	<u>\$ 6,469,596</u>	<u>\$ 6,905,682</u>

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Funds		
	Landfill Fund	Water Fund	Total
Operating Revenues:			
Charges for services	\$ 745,396	\$ 890,532	\$ 1,635,928
Water and sewer taps	-	31,000	31,000
Miscellaneous	30,935	8,760	39,695
Total operating revenues	<u>776,331</u>	<u>930,292</u>	<u>1,706,623</u>
Operating Expenses:			
Water operations	-	663,793	663,793
Landfill operations	681,830	-	681,830
Depreciation	-	226,036	226,036
Total operating expenses	<u>681,830</u>	<u>889,829</u>	<u>1,571,659</u>
Operating income (loss)	<u>94,501</u>	<u>40,463</u>	<u>134,964</u>
Non-Operating Revenues (Expenses):			
Sales tax refund	-	2,498	2,498
Investment earnings	884	6,110	6,994
Interest expense	-	(27,276)	(27,276)
Grants	10,023	230,540	240,563
Total non-operating revenues (expenses)	<u>10,907</u>	<u>211,872</u>	<u>222,779</u>
Net income (loss) before transfers	105,408	252,335	357,743
Transfers (to) from other funds	<u>-</u>	<u>178,059</u>	<u>178,059</u>
Change in net assets	105,408	430,394	535,802
Net Assets:			
Beginning of year - July 1	<u>330,678</u>	<u>6,039,202</u>	<u>6,369,880</u>
End of year - June 30	<u>\$ 436,086</u>	<u>\$ 6,469,596</u>	<u>\$ 6,905,682</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, 2012

	Enterprise Funds		
	Landfill Fund	Water Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 713,609	\$ 686,757	\$ 1,400,366
Cash paid for goods and services	(663,390)	(170,128)	(833,518)
Cash paid to employees for services	-	(283,539)	(283,539)
Other operating revenues	30,935	8,760	39,695
Net cash provided (used) by operating activities	81,154	241,850	323,004
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	(580,730)	(580,730)
Principal paid on bond maturities and equipment contracts	-	(155,984)	(155,984)
Interest paid on bond maturities equipment contracts	-	(27,276)	(27,276)
Net cash provided (used) by capital and related financing activities	-	(763,990)	(763,990)
Cash Flows from Non-Capital and Related Activities:			
Grants	10,023	230,540	240,563
Other non-operating revenues	-	2,498	2,498
Operating transfers (in) out	-	178,059	178,059
Net cash provided (used) by non-capital and related financing activities	10,023	411,097	421,120
Cash Flows from Investing Activities:			
Interest on investments	885	6,110	6,995
Net increase (decrease) in cash and cash equivalents	92,062	(104,933)	(12,871)
Cash and Cash Equivalents:			
Beginning of year - July 1	226,078	1,823,202	2,049,280
End of year - June 30	\$ 318,140	\$ 1,718,269	\$ 2,036,409
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 94,501	\$ 40,463	\$ 134,964
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
	-	226,036	226,036
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(31,787)	(234,775)	(266,562)
(Increase) decrease in inventory	-	(2,497)	(2,497)
Increase (decrease) in accounts payable and accrued liabilities	18,440	178,199	196,639
Increase (decrease) in accrued vacation pay	-	(508)	(508)
Increase (decrease) in OPEB payable	-	34,932	34,932
Total adjustments	(13,347)	201,387	188,040
Net cash provided (used) by operating activities	\$ 81,154	\$ 241,850	\$ 323,004

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUND

JUNE 30, 2012

	<u>Agency Fund</u>
Assets:	
Cash and cash equivalents	\$ 3,841
Receivables	<u>2,759</u>
Total assets	<u>\$ 6,600</u>
 Liabilities:	
Miscellaneous liabilities	<u>\$ 6,600</u>

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

Gates County Alcoholic Beverage Control Board

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

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

B. Basis of Presentation

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

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

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

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

The County reports the following major governmental funds:

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

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The County reports the following nonmajor governmental funds:

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

The County reports all of its enterprise funds as major:

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

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

The County reports the following fund types:

Agency Funds. Agency funds are custodial in nature and do not involve measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains eight Agency Funds: Social Services Fund, which accounts for monies deposited with the Social Services Department for the benefit of certain individuals; Extension Director Funds, which accounts for the monies deposited in a trust to be used to provide cooperative services to citizens; 4-H Fund, which provides youth development services, Drainage District I, Drainage District II, Drainage District III, DMV Fund, and the Town of Gatesville.

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

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds, which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Gates County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

revenues. All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Budgetary Data

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

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

E. Assets, Liabilities, and Fund Equity

Deposits and Investments

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

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

Cash and Cash Equivalents

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

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

Restricted Assets

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

Ad Valorem Taxes Receivable

In accordance with State laws [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2011. As allowed by State law, the County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

Allowances for Doubtful Accounts

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Capital Assets

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

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

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

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

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.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Debt issuance costs are recognized as other assets and amortized over the life of the debt using the effective interest method.

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

Deferred/Unearned Revenues

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

Net Assets/Fund Balances

Net Assets

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in tact.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Restricted Fund Balance

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

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

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

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

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

Restricted for Economic and Physical Development – portion of fund balance restricted by revenue for the construction of a new County Library. This amount represents the balance of the total unexpended funds for the issuance of installment debt.

Restricted fund balance at June 30, 2012 is as follows:

Purpose	General Fund	Library Capital Project Fund	Other Governmental Funds	Total
Restricted, all other:				
Register of Deeds	\$ 7,327	\$ -	\$ -	\$ 7,327
General government	72,355	-	-	72,355
Public safety	10,156	-	263,704	273,860
Economic & physical development	-	1,412,773	-	1,412,773
Total	<u>\$ 89,838</u>	<u>\$ 1,412,773</u>	<u>\$ 263,704</u>	<u>\$ 1,766,315</u>

Committed Fund Balance

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

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Assigned Fund Balance

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

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

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

Assigned fund balance at June 30, 2012 is as follows:

Purpose	General Fund	Other Governmental Funds	Total
Education	\$ 241,836	\$ -	\$ 241,836
Debt service	56,175	-	56,175
Total assigned fund balance	\$ 298,011	\$ -	\$ 298,011

Unassigned Fund Balance

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

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

The County has not officially adopted a fund balance policy.

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

Total fund balance - General Fund	\$ 3,579,394
Less:	
Stabilization by State statute	(640,415)
Total available fund balance	\$ 2,938,979

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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	\$	3,416,918
Tax Revaluation Fund:		
Investment earnings		197
Transfer in		33,750
Fund balance, beginning		72,354
USDA Loan Fund:		
Transfer in		11,235
Fund balance, beginning		44,940
Fund balance, ending Exhibit D	\$	<u>3,579,394</u>

Interfund Transactions

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

Comparative Data/Reclassifications

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Use of Estimates

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

2. Detail Notes on All Funds

Deposits

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

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

At June 30, 2012, the County's bank deposits had a carrying amount of \$4,975,995 and a bank balance of \$5,286,099. Of the bank balance, \$501,739 was covered by federal depository insurance, and \$4,784,360 was covered by the Pooling Method. At June 30, 2012, Gates County had \$830 cash on hand.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Investments

At June 30, 2012, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Less Than 12 Months</u>
North Carolina Capital Management Trust - Cash portfolio	AAA	\$ 1,236,385	\$ 1,236,385
Term portfolio		<u>723,520</u>	<u>723,520</u>
Total investments		<u>\$ 1,959,905</u>	<u>\$ 1,959,905</u>

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

Credit Risk. The County has no policy regarding credit risk. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2012. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government agencies and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

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

In accordance with the General Statutes, agriculture, horticulture, and forestland may be taxed by the County at the present use-value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. As of June 30, 2012, the deferment related to these properties was \$202,992,792 in valuation, and the deferred tax associated with the properties was \$1,299,154.

4. Receivables

Receivables at Exhibit A at June 30, 2012 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:			
Other accounts receivable	\$ 21,654	\$ -	\$ 21,654
Customer/client billings	<u>-</u>	<u>373,217</u>	<u>373,217</u>
Total	<u>\$ 21,654</u>	<u>\$ 373,217</u>	<u>\$ 394,871</u>
Due from Other Governments:			
Sales tax refund	\$ 635,573	\$ 229,800	\$ 865,373
Total	<u>\$ 635,573</u>	<u>\$ 229,800</u>	<u>\$ 865,373</u>

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Allowances for Doubtful Accounts

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

Fund	Allowance
Governmental Activities:	
Property taxes - General Fund	\$ 305,267
Total	\$ 305,267
 Business-Type Activities:	
Landfill Fund	\$ 30,323
Water Fund	27,101
Total	\$ 57,424

5. Capital Assets

Governmental Capital Assets

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

	July 1, 2011	Additions	Retirements	June 30, 2012
Governmental Activities				
Non-Depreciable Assets:				
Land	\$ 290,237	\$ 72,000	\$ -	\$ 362,237
Construction in progress	861,360	87,784	(861,360)	87,784
Total non-depreciable assets	1,151,597	159,784	(861,360)	450,021
Depreciable Assets:				
Buildings	3,315,375	861,360	-	4,176,735
Other improvements	142,809	201,746	-	344,555
Equipment	774,422	155,883	(2,879)	927,426
Vehicles and motorized equipment	822,833	131,553	(135,550)	818,836
Total depreciable assets	5,055,439	1,350,542	(138,429)	6,267,552
Less Accumulated Depreciation:				
Buildings	1,444,732	98,443	-	1,543,175
Other improvements	32,883	6,288	-	39,171
Equipment	327,643	74,106	(2,111)	399,638
Vehicles and motorized equipment	511,903	131,191	(135,550)	507,544
Total accumulated depreciation	2,317,161	310,028	(137,661)	2,489,528
Depreciable capital assets, net	2,738,278	1,040,514	(768)	3,778,024
Capital assets, net	\$ 3,889,875	\$ 1,200,298	\$ 768	\$ 4,228,045

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

Governmental Activities:	
General government	\$ 55,805
Public safety	71,306
Human services	96,109
Economic and physical development	65,106
Cultural and recreational	21,702
Total	<u>\$ 310,028</u>

Proprietary Capital Assets

The capital assets of the proprietary funds at June 30, 2012 are as follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2012</u>
Water Fund:				
Non-Depreciable Assets:				
Land	\$ 27,476	\$ -	\$ -	\$ 27,476
Construction in progress	-	580,730	-	580,730
Total non-depreciable assets	<u>27,476</u>	<u>580,730</u>	<u>-</u>	<u>608,206</u>
Depreciable Assets:				
Plant and systems	9,134,858	-	-	9,134,858
Furniture and maintenance equipment	429,035	-	-	429,035
Vehicles	175,117	-	-	175,117
Total depreciable assets	<u>9,739,010</u>	<u>-</u>	<u>-</u>	<u>9,739,010</u>
Less Accumulated Depreciation:				
Plant and distribution systems	4,382,558	183,010	-	4,565,568
Furniture and maintenance equipment	296,753	25,883	-	322,636
Vehicles	117,341	17,143	-	134,484
Total accumulated depreciation	<u>4,796,652</u>	<u>226,036</u>	<u>-</u>	<u>5,022,688</u>
Depreciable capital assets, net	<u>4,942,358</u>	<u>(226,036)</u>	<u>-</u>	<u>4,716,322</u>
Water Fund capital assets, net	<u>\$ 4,969,834</u>	<u>\$ 354,694</u>	<u>\$ -</u>	<u>\$ 5,324,528</u>

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Invested in Capital Assets, Net of Related Debt

The total invested in capital assets, net of related debt, at June 30, 2012 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 4,228,045	\$ 5,324,528
Long-term debt, county owned assets	(3,260,316)	(677,932)
Invested in capital assets, net of related debt	\$ 967,729	\$ 4,646,596

6. Accounts Payable and Accrued Expenses

Disaggregation Information

Type of Payable	Governmental Activities	Business-Type Activities	Total
Trade payables	\$ 241,869	\$ 278,756	\$ 520,625
Total	\$ 241,869	\$ 278,756	\$ 520,625

7. Pension Plan Obligation

Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.99% and 7.05%, respectively, of annual covered payroll. The contribution requirements of members and of Gates County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$303,301, \$283,059, and \$243,842, respectively.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Law Enforcement Officers' Special Separation Allowance

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

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

Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>10</u>
Total	<u><u>10</u></u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies

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

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

Contributions

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

The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011 was 19 years.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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	\$	12,252
Interest on net pension obligation		5,901
Adjustment to annual required contribution		(7,040)
Annual pension cost		11,113
Employer contribution made for fiscal year ended June 30, 2012		-
Increase in net pension obligation		11,113
Net pension obligation, beginning of year		118,011
Net pension obligation, end of year	\$	129,124

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 13,136	0.00%	\$ 106,134
6/30/2011	11,877	0.00%	118,011
6/30/2012	11,113	0.00%	129,124

Funding Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$90,169. The covered payroll (annual payroll of active employees covered by the plan) was \$421,241, and the ratio of the UAAL to the covered payroll was 21.41%.

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

Supplemental Retirement Income Plan for Law Enforcement Officers

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2012 were \$28,698, which consisted of \$20,359 from the County and \$1,020 (\$8,339 with loan payments) from the law enforcement officers.

Registers of Deeds' Supplemental Pension Fund

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

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2012, the County's required and actual contributions were \$784.

Other Post-Employment Benefits-Healthcare

Plan Description. The County provides healthcare benefits through a single-employer defined benefit plan to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System, have 20 years of creditable service with the County, and meet requirements for full retirement under the Local Governmental Employee's Retirement System. The County pays the full cost of coverage for these benefits. Currently, seven retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2012, the County made payments for post-retirement health benefit premiums of \$55,942. A separate report was not issued for the plan.

GATES COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	7	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	71	10
Total	78	10

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

The current ARC rate is 18.73% of annual covered payroll. For the current year, the County contributed \$55,942, or 1.51% of annual covered payroll. There were no contributions made by employees. The County’s obligation to contribute to the plan is established and may be amended by the Board of County Commissioners.

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Annual required contribution	\$ 418,153	\$ 36,361	\$ 454,514
Interest on net OPEB obligation	27,553	5,221	32,774
Adjustments to annual required contribution	(26,014)	(2,262)	(28,276)
Annual OPEB cost (expense)	419,692	39,320	459,012
Contributions made	(51,554)	(4,388)	(55,942)
Increase (decrease) in net OPEB obligation	368,138	34,932	403,070
Net OPEB obligation:			
Beginning of year - July 1	758,395	60,963	819,358
End of year - June 30	<u>\$ 1,126,533</u>	<u>\$ 95,895</u>	<u>\$ 1,222,428</u>

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

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 438,086	8.10%	\$ 402,674
2011	456,725	8.80%	819,358
2012	459,012	12.19%	1,222,428

Funded Status and Funding Progress. As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$3,943,191. The covered payroll (annual payroll of active employees covered by the plan) was \$2,338,648, and the ratio of the UAAL to the covered payroll was 168.6 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan, and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents 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, 2012

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

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

As of June 30, 2012, 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. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The County considers these contributions to be of an immaterial amount to the financial statement presentation as a whole.

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

8. Deferred/Unearned Revenues

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

	General Fund
Prepaid taxes not yet earned	\$ 39,155
Taxes receivable (net)	389,068
Total	\$ 428,223

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

	Governmental Activities	Total
Prepaid taxes	\$ 39,155	\$ 39,155
Total	\$ 39,155	\$ 39,155

9. Long-Term Obligations

Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2012:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion of Balance
Governmental Activities:					
Notes payable	\$ 7,902,504	\$ 1,500,000	\$ (994,662)	\$ 8,407,842	\$ 1,315,551
OPEB liability	758,395	419,692	(51,554)	1,126,533	-
LEO liability	118,011	11,113	-	129,124	-
Compensated absences	252,996	124,947	(146,483)	231,460	57,864
Total governmental activities	\$ 9,031,906	\$ 2,055,752	\$ (1,192,699)	\$ 9,894,959	\$ 1,373,415
Business-Type Activities:					
Notes payable	\$ 833,916	\$ -	\$ (155,984)	\$ 677,932	\$ 165,029
OPEB liability	60,963	39,320	(4,388)	95,895	-
Compensated absences	26,607	13,924	(14,475)	26,056	6,514
Total business-type activities	\$ 921,486	\$ 53,244	\$ (174,847)	\$ 799,883	\$ 171,543

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

North Carolina General Statutes limit certain indebtedness of the County to an amount not greater than 8% of the appraised value of property subject to taxation by the County. At June 30, 2012, the legal debt limit and legal debt margin given no bonded debt outstanding totaled \$73,638,773.

Notes Payable

Serviced by General Fund:

3.65% note with Southern Bank & Trust Company, issued to refinance Gates County High School on 7/30/2003, payable in semi-annual installments of \$281,263, including interest; matures July 2013; secured by Gates County High School	\$ 814,192
3.74% note refinancing, payable in annual installments of \$6,752, including interest; Original issuance on 1/13/2006 for Register of Deed's equipment. Note matures July 2013; secured by Register of Deeds' equipment	12,836
3.98% note, payable in semi-annual installments of \$216,667, plus interest Original issuance of \$6,500,000 was for the expansion of public school facilities; matures January 2022; secured by school real estate. Original note was refinanced in March 2012 with an outstanding principle balance of \$4,460,000 with interest payable at 2.91%, matures March 2022.	4,333,334
4.25% note, payable in annual installments of \$83,440, including interest Original issuance of \$1,400,00, with the United States Department of Agriculture Rural Development, to finance the construction of Social Services Building; matures September 2037; secured by Social Services building	1,297,961
4.25% note, payable in annual installments of \$28,902, including interest Original issuance of \$1,400,00, with the United States Department of Agriculture Rural Development, to finance the construction of Social Services Building; matures September 2037; secured by Social Services building	449,519
1.77% 5 year note, payable in annual installments of \$300,000, 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>1,500,000</u>
Total notes payable	<u>\$ 8,407,842</u>

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Serviced by Water Fund:

4.90% note, payable in semi-annual installments of \$95,110, including interest;

Original issuance of \$1,954,190 on 12/12/2001 with Southern Bank & Trust

for County water system improvements; Original note was refinanced with BB&T

December 2011 with interest payable at 1.77% and matures July 2016

\$ 677,932

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

Year Ending <u>June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,315,551	\$ 292,980	\$ 165,029	\$ 11,272
2014	1,055,852	248,759	167,963	8,338
2015	774,710	219,230	170,950	5,352
2016	776,469	194,914	173,990	2,313
2017	778,302	170,524	-	-
2018-2022	2,421,853	543,666	-	-
2023-2027	314,223	247,487	-	-
2028-2032	386,918	174,792	-	-
2033-2037	476,430	85,280	-	-
2038	107,534	4,570	-	-
Total	<u>\$ 8,407,842</u>	<u>\$ 2,182,202</u>	<u>\$ 677,932</u>	<u>\$ 27,275</u>

10. Risk Management

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

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

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

11. Landfill Closure and Post-Closure Care Costs

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

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

12. Interfund Balances and Activity

Transfer To/From Other Funds

Transfers to/from other funds at June 30, 2012 consist of the follow

Fund Type	Fund Name	From	To	Purpose
Special Revenue Fund	Transfer to General Fund	\$ 13,939	\$ -	
General Fund	Transfer from E911 Fund	-	13,939	Transfer to correct E911 Fund Balance
General Fund	Transfer to Water Fund	400	-	
Water Fund	Transfer from General Fund	-	400	Transfer from GF to Water Fund to cover merit increases
General Fund	Transfer to Waste Water	177,660		Transfer from General Fund to Wastewater Facility
Water Fund	Transfer In	-	177,660	Project for capital
		<u>\$ 191,999</u>	<u>\$ 191,999</u>	

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

13. Joint Ventures

The County participates in a joint venture to operate Perquimans-Chowan Gates Regional Landfill (Landfill) with two other counties. Each participating government appoints their County Manager and one Commissioner to the nine-member Board of the Landfill. Although the Landfill is no longer accepting solid waste, the site will continue to be used as a waste transfer station. Gates County will continue to pay 25% of the site's operating cost and 33% of any capital outlay and administration cost. In accordance with the intergovernmental agreement between the participating governments, the County paid \$660,928 for operating costs. Albemarle Regional Health acts as fiscal agent to the Landfill.

The County participates in a joint venture to operate Albemarle Regional Library (Library) which serves a four-County district. Gates County appoints three members to the ten-member district Library Board. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library system, so no equity interest has been reflected in the financial statements at June 30, 2012. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$92,325 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's office on Tryon Street, Winton, North Carolina 27986.

The County also participates in a joint venture to operate Albemarle Regional Health Services with seven other counties. The area Board of Commissioners appoints the fifteen-member governing Board. The County has an ongoing financial responsibility for Albemarle Regional Health Services because the County is required by State statute to provide public health services either directly or jointly with other counties. Neither of the participating governments have any equity interest in Albemarle Regional Health Services, so no equity interest has been reflected in the financial statements at June 30, 2012. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$113,500 to the Albemarle Regional Health Services to supplement its activities. Complete financial statements for the Albemarle Regional Health Services can be obtained from their office at P.O. Box 189, Elizabeth City, North Carolina 27909.

14. Jointly Governed Organization

The County, in conjunction with nine other counties and sixteen other municipalities, established the Albemarle Commission. The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints three members to the Commission's governing Board. The County paid membership fees of \$7,679 to the Commission during the fiscal year ended June 30, 2012.

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

GATES COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The County, in conjunction with other counties, participates in East Carolina Behavioral Health, a local management entity for mental health care services. These entities provide mental health services to the residents of the participating counties through satellite offices. The County contributed \$39,762 to this organization during the fiscal year ended June 30, 2012.

15. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 7,712,566	\$ 4,440,650
WIC	166,834	-
IV- E Foster Care	50,543	6,968
Energy Assistance	97,566	-
TANF	203,306	(7)
SA Domiciliary Care	-	82,673
Total	<u>\$ 8,230,815</u>	<u>\$ 4,530,284</u>

16. Summary Disclosure of Significant Commitments and Contingencies

Federal and State-Assisted Programs

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

This page left blank intentionally.

GATES COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

Schedule of Funding Progress

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

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)		Amount Contributed By Employer	Percentage of ARC Contributed
2012	\$ 454,514	\$ 55,942		12.31%
2011	454,514	40,041		8.81%
2010	454,514	51,554		11.34%

Notes to the Required Schedules:

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

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

* Includes inflation at 3.75%

GATES COUNTY, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

Schedule of Funding Progress

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

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage of ARC Contributed
2010	\$ 13,138	0.00%
2011	12,252	0.00%
2012	12,252	0.00%

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	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	Ranges from 4.25 to 7.85%
*Includes inflation at	3.00%
Cost-of-living adjustments	None

GATES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -ACTUAL - GENERAL FUND CONSOLIDATED
FOR THE YEAR ENDED JUNE 30, 2012

	<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	\$ 6,037,056	\$ -	\$ -	\$ -	\$ 6,037,056
Local option sales taxes	1,871,721	-	-	-	1,871,721
Other taxes and licenses	39,612	-	-	-	39,612
Unrestricted intergovernmental revenues	61,145	-	-	-	61,145
Restricted intergovernmental revenues	2,270,768	-	-	-	2,270,768
Permits and fees	103,664	-	-	-	103,664
Sales and services	209,734	-	-	-	209,734
Investment earnings	10,606	197	-	-	10,803
Miscellaneous	98,986	-	-	-	98,986
Total revenues	<u>10,703,292</u>	<u>197</u>	<u>-</u>	<u>-</u>	<u>10,703,489</u>
Expenditures:					
Current:					
General government	1,635,274	-	-	-	1,635,274
Public safety	1,474,993	-	-	-	1,474,993
Economic and physical development	871,631	-	-	-	871,631
Human services	2,050,649	-	-	-	2,050,649
Cultural and recreational	321,820	-	-	-	321,820
Education	2,708,079	-	-	-	2,708,079
Debt service:					
Principal	994,662	-	-	-	994,662
Interest	308,181	-	-	-	308,181
Total expenditures	<u>10,365,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,365,289</u>
Revenues over (under) expenditures	<u>338,003</u>	<u>197</u>	<u>-</u>	<u>-</u>	<u>338,200</u>
Other Financing Sources (Uses):					
Transfers from other funds	13,939	33,750	11,235	(44,985)	13,939
Transfer to other funds	(223,045)	-	-	44,985	(178,060)
Total other financing sources (uses)	<u>(209,106)</u>	<u>33,750</u>	<u>11,235</u>	<u>-</u>	<u>(164,121)</u>
Net change in fund balances	128,897	33,947	11,235	-	174,079
Fund Balances:					
Beginning of year - July 1	<u>3,288,021</u>	<u>72,354</u>	<u>44,940</u>	<u>-</u>	<u>3,405,315</u>
End of year - June 30	<u>\$ 3,416,918</u>	<u>\$ 106,301</u>	<u>\$ 56,175</u>	<u>\$ -</u>	<u>\$ 3,579,394</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Ad Valorem Taxes:				
Taxes	\$ 6,339,923	\$ 6,033,562	\$ (306,361)	\$ 6,025,965
Penalties and interest	2,800	3,494	694	2,334
Total	<u>6,342,723</u>	<u>6,037,056</u>	<u>(305,667)</u>	<u>6,028,299</u>
Local Option Sales Taxes:				
Article 39	350,000	369,773	19,773	334,506
Article 40 one-half of one percent	585,000	647,193	62,193	589,347
Article 42 one-half of one percent	195,000	196,199	1,199	182,945
Article 44	-	380	380	(7,870)
Medicaid Hold Harmless payment	646,000	658,176	12,176	611,476
Total	<u>1,776,000</u>	<u>1,871,721</u>	<u>95,721</u>	<u>1,710,404</u>
Other Taxes and Licenses:				
Tax refunds	15,000	10,989	(4,011)	17,698
Deep stamp excise tax	13,000	25,595	12,595	13,722
Privilege licenses	500	1,000	500	1,000
ABC bottle tax	2,000	2,028	28	2,082
Total	<u>30,500</u>	<u>39,612</u>	<u>9,112</u>	<u>34,502</u>
Unrestricted Intergovernmental Revenues:				
Payments in lieu of taxes	10,000	8,022	(1,978)	7,486
Beer and wine tax	40,000	51,529	11,529	50,778
Cable franchise fees	1,600	1,594	(6)	1,597
ABC distributions	2,000	-	(2,000)	1,000
Total	<u>53,600</u>	<u>61,145</u>	<u>7,545</u>	<u>60,861</u>
Restricted Intergovernmental Revenues:				
Federal and State grants	2,292,667	2,270,768	(21,899)	2,388,566
Total	<u>2,292,667</u>	<u>2,270,768</u>	<u>(21,899)</u>	<u>2,388,566</u>
Permits and Fees:				
Building permits	55,000	64,870	9,870	59,548
Register of Deeds	46,500	38,794	(7,706)	38,586
Total	<u>101,500</u>	<u>103,664</u>	<u>2,164</u>	<u>98,134</u>
Sales and Services:				
Transportation fares	24,000	13,547	(10,453)	16,713
Rents, concessions, and fees	97,454	106,977	9,523	118,860
Jail fees	47,500	32,539	(14,961)	25,984
School resource officer	30,900	36,535	5,635	33,480
Court facilities fees	22,500	20,136	(2,364)	24,491
Total	<u>222,354</u>	<u>209,734</u>	<u>(12,620)</u>	<u>219,528</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Investment Earnings	7,000	10,606	3,606	7,111
Miscellaneous:				
Insurance reimbursement	17,356	17,358	2	1,622
Sale of assets	56,500	64,947	8,447	7,096
Other	14,064	16,681	2,617	22,895
Total	87,920	98,986	11,066	31,613
Total revenues	10,914,264	10,703,292	(210,972)	10,579,018
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits	76,286	75,387	899	66,885
Operating expenditures	311,299	227,100	84,199	247,645
Total	387,585	302,487	85,098	314,530
Administration:				
Salaries and employee benefits	315,180	306,844	8,336	272,204
Operating expenditures	50,050	35,657	14,393	36,371
Reimbursement from Enterprise Fund	(52,411)	(47,805)	(4,606)	(43,608)
Total	312,819	294,696	18,123	264,967
Tax Collection:				
Salaries and employee benefits	183,207	182,321	886	165,243
Operating expenditures	86,863	84,729	2,134	77,639
Capital outlay	4,675	4,675	-	3,450
Total	274,745	271,725	3,020	246,332
Legal:				
Contracted services	22,275	20,655	1,620	16,175
Court Facilities:				
Operating expenditures	35,500	33,046	2,454	33,880
Elections:				
Salaries and employee benefits	53,766	53,718	48	44,231
Operating expenditures	28,199	27,490	709	20,426
Total	81,965	81,208	757	64,657

GATES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Register of Deeds:				
Salaries and employee benefits	95,875	95,567	308	92,170
Operating expenditures	27,865	23,478	4,387	30,327
Capital outlay	-	-	-	655
Total	<u>123,740</u>	<u>119,045</u>	<u>4,695</u>	<u>123,152</u>
Public Buildings:				
Salaries and employee benefits	113,626	111,778	1,848	108,163
Operating expenditures	241,429	198,888	42,541	200,978
Capital outlay	278,000	201,746	76,254	41,733
Total	<u>633,055</u>	<u>512,412</u>	<u>120,643</u>	<u>350,874</u>
Total general government	<u>1,871,684</u>	<u>1,635,274</u>	<u>236,410</u>	<u>1,414,567</u>
Public Safety:				
Sheriff and Communications:				
Salaries and employee benefits	812,484	783,521	28,963	760,177
Operating expenditures	140,696	133,264	7,432	148,055
Capital outlay	25,526	4,930	20,596	77,683
Total	<u>978,706</u>	<u>921,715</u>	<u>56,991</u>	<u>985,915</u>
Jail:				
Operating expenditures	250,000	203,979	46,021	222,482
Total	<u>250,000</u>	<u>203,979</u>	<u>46,021</u>	<u>222,482</u>
Emergency Management:				
Salaries and employee benefits	96,701	94,501	2,200	68,497
Operating expenditures	11,442	(1,132)	12,574	163
Capital outlay	700	512	188	700
Total	<u>108,843</u>	<u>93,881</u>	<u>14,962</u>	<u>69,360</u>
Fire:				
Forest fire protection	53,246	53,246	-	55,000
Recue Squad:				
Allocation	25,000	25,000	-	12,000
Building Inspector:				
Salaries and employee benefits	111,282	108,343	2,939	97,430
Operating expenditures	13,150	12,970	180	13,209
Total	<u>124,432</u>	<u>121,313</u>	<u>3,119</u>	<u>110,639</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
Medical Examiner:				
Professional services	5,000	6,400	(1,400)	5,500
Animal Control:				
Operating expenditures	46,699	49,459	(2,760)	41,367
Total public safety	1,591,926	1,474,993	116,933	1,502,263
Economic and Physical Development:				
Agricultural Extension:				
Salaries and employee benefits	112,014	95,703	16,311	105,754
Operating expenditures	19,604	15,516	4,088	15,916
Total	131,618	111,219	20,399	121,670
Soil and Water Conservation:				
Salaries and employee benefits	82,756	82,508	248	75,658
Operating expenditures	6,100	5,750	350	5,157
Total	88,856	88,258	598	80,815
Zoning:				
Salaries and employee benefits	75,274	73,863	1,411	64,607
Operating expenditures	42,607	18,622	23,985	20,172
Total	117,881	92,485	25,396	84,779
Cooperative Extension Service:				
Support of our students	42,211	26,925	15,286	72,406
Genesis	28,326	24,630	3,696	27,087
New choices	525	525	-	7,767
School age child care	27,451	22,037	5,414	41,669
Life Smarts	1,494	-	1,494	-
Divorce filing fee	12,480	12,510	(30)	39,430
REA Stem Grant	-	-	-	170
4-H Program	5,599	923	4,676	2,428
Baby Love Grant	38,000	37,901	99	34,866
SHIP Grant	3,507	3,153	354	5,322
Workforce youth development	-	-	-	6,178
Science camp	-	-	-	11,895
Albemarle Foundation Grant	486	486	-	364
Real World Grant	1,783	215	1,568	615
Total	161,862	129,305	32,557	250,197

GATES COUNTY, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
GITS:				
Salaries and employee benefits	252,549	228,034	24,515	231,389
Operating expenditures	221,763	145,327	76,436	143,904
Capital outlay	167,700	77,003	90,697	64,013
Total	<u>642,012</u>	<u>450,364</u>	<u>191,648</u>	<u>439,306</u>
Total economic and physical development	<u>1,142,229</u>	<u>871,631</u>	<u>270,598</u>	<u>976,767</u>
Human Services:				
Health:				
Administration:				
Albemarle Regional Health Services	118,500	113,500	5,000	118,273
Albemarle Mental Health Center	39,734	39,762	(28)	39,816
Albemarle Hospital	500	500	-	500
Total	<u>158,734</u>	<u>153,762</u>	<u>4,972</u>	<u>158,589</u>
Social Services:				
Administration:				
Salaries and employee benefits	1,000,742	998,446	2,296	971,483
Operating expenditures	208,042	199,532	8,510	162,286
Total	<u>1,208,784</u>	<u>1,197,978</u>	<u>10,806</u>	<u>1,133,769</u>
Special Assistance for Adults:				
County participation	<u>83,000</u>	<u>82,673</u>	<u>327</u>	<u>78,184</u>
Medicaid:				
County participation	<u>62,500</u>	<u>102,663</u>	<u>(40,163)</u>	<u>92,860</u>
Special Social Services:				
Food Stamp Program	3,868	3,450	418	3,264
Daycare	302,920	304,608	(1,688)	350,265
Crisis intervention	85,664	85,631	33	60,450
N.C. Blind Commission	1,118	1,118	-	1,694
Domestic violence	8,261	8,235	26	4,678
Work First	13,000	12,806	194	11,774
CPS and independent living	7,163	9,979	(2,816)	1,256
Others	15,569	8,259	7,310	7,578
Total	<u>437,563</u>	<u>434,086</u>	<u>3,477</u>	<u>440,959</u>
Total social services	<u>1,791,847</u>	<u>1,817,400</u>	<u>(25,553)</u>	<u>1,745,772</u>
Special Appropriations:				
Veterans service	4,000	4,000	-	4,000
Juvenile crime prevention	34,206	32,706	1,500	34,206
Others	42,783	42,781	2	40,669
Total special appropriation	<u>80,989</u>	<u>79,487</u>	<u>1,502</u>	<u>78,875</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012		Variance Over/Under	2011
	Budget	Actual		Actual
Total human services	2,031,570	2,050,649	(19,079)	1,983,236
Cultural and Recreational:				
Community Center:				
Salaries and employee benefits	46,440	44,274	2,166	31,325
Operating expenditures	212,500	185,221	27,279	196,355
Total	258,940	229,495	29,445	227,680
Libraries:				
Operating expenditures	92,325	92,325	-	90,000
Total cultural and recreation	351,265	321,820	29,445	317,680
Education:				
Public schools - current	2,592,079	2,592,079	-	2,567,079
Public schools - capital outlay	100,000	100,000	-	100,000
Community colleges	16,000	16,000	-	14,000
Total education	2,708,079	2,708,079	-	2,681,079
Debt Service:				
Principal retirement	994,663	994,662	1	974,531
Interest and fees	308,196	308,181	15	343,271
Total debt service	1,302,859	1,302,843	16	1,317,802
Total expenditures	10,999,612	10,365,289	634,323	10,193,394
Revenues over (under) expenditures	(85,348)	338,003	423,351	385,624
Other Financing Sources (Uses):				
Transfers from other funds	13,939	13,939	-	128,913
Transfers to other funds	(262,746)	(223,045)	39,701	(134,364)
Contingency	(40,000)	-	40,000	-
Appropriated fund balance	374,155	-	(374,155)	-
Total other financing sources (uses)	85,348	(209,106)	(294,454)	(5,451)
Net change in fund balance	\$ -	128,897	\$ 128,897	380,173
Fund Balance:				
Beginning of year - July 1		3,288,021		\$ 2,907,848
End of year - June 30		\$ 3,416,918		\$ 3,288,021

GATES COUNTY, NORTH CAROLINA

REVALUATION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Investment earnings	\$ -	\$ 197	\$ 197	\$ 122
Expenditures:				
General government	33,750	-	33,750	-
Revenues over (under) expenditures	(33,750)	197	33,947	122
Other Financing Sources (Uses):				
Transfers (to) from other funds	33,750	33,750	-	33,750
Net change in fund balance	\$ -	33,947	\$ 33,947	33,872
Fund Balance:				
Beginning of year - July 1		72,354		38,482
End of year - June 30		\$ 106,301		\$ 72,354

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, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Other Financing Sources (Uses):				
Transfers (to) from other funds	\$ 11,235	\$ 11,235	\$ -	\$ 11,235
Contingency	(11,235)	-	11,235	-
Total other financing sources (uses)	-	11,235	11,235	11,235
Net change in fund balance	\$ -	11,235	\$ 11,235	11,235
Fund Balance:				
Beginning of year - July 1		44,940		33,705
End of year - June 30		\$ 56,175		\$ 44,940

GATES COUNTY, NORTH CAROLINA

**LIBRARY CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

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

This page left blank intentionally.

GATES COUNTY, NORTH CAROLINA

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012**

	Emergency Telephone System Fund	Fire Protection Fund	CDBG Scattered Site Grant Project
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 249,995	\$ 16,370	\$ -
Accounts receivable, net	8,769	-	-
Due from other governments	8,043	-	-
Total assets	<u>\$ 266,807</u>	<u>\$ 16,370</u>	<u>\$ -</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ 2,661</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:			
Stabilization for State statute	16,812	-	-
Restricted, all other	<u>247,334</u>	<u>16,370</u>	<u>-</u>
Total fund balances	<u>264,146</u>	<u>16,370</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 266,807</u>	<u>\$ 16,370</u>	<u>\$ -</u>

Schedule C-1

CDBG Capacity Building Grant	Total
\$ -	\$ 266,365
-	8,769
-	8,043
<u>\$ -</u>	<u>\$ 283,177</u>
<u>\$ -</u>	<u>\$ 2,661</u>
-	16,812
-	263,704
<u>-</u>	<u>280,516</u>
<u>\$ -</u>	<u>\$ 283,177</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, 2012**

	Emergency Telephone System Fund	Fire Protection Fund	CDBG Scattered Site Grant Project
Revenues:			
Restricted intergovernmental	\$ -	\$ -	\$ 144,370
Other taxes and licenses	105,222	248,182	-
Investment earnings	1,347	-	-
Total revenues	<u>106,569</u>	<u>248,182</u>	<u>144,370</u>
Expenditures:			
Current:			
Public safety	279,585	233,573	-
Economic development	-	-	144,476
Total expenditures	<u>279,585</u>	<u>233,573</u>	<u>144,476</u>
Revenues over (under) expenditures	<u>(173,016)</u>	<u>14,609</u>	<u>(106)</u>
Other Financing Sources (Uses):			
Transfers from other funds	<u>(13,939)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(186,955)	14,609	(106)
Fund Balances:			
Beginning of year - July 1	<u>451,101</u>	<u>1,761</u>	<u>106</u>
End of year - June 30	<u>\$ 264,146</u>	<u>\$ 16,370</u>	<u>\$ -</u>

Schedule C-2

CDBG Capacity Building Grant	Total
<u>\$ 27,189</u>	<u>\$ 171,559</u>
<u>-</u>	<u>353,404</u>
<u>-</u>	<u>1,347</u>
<u>27,189</u>	<u>526,310</u>
<u>-</u>	<u>513,158</u>
<u>27,189</u>	<u>171,665</u>
<u>27,189</u>	<u>684,823</u>
<u>-</u>	<u>(158,513)</u>
<u>-</u>	<u>(13,939)</u>
<u>-</u>	<u>(172,452)</u>
<u>-</u>	<u>452,968</u>
<u>\$ -</u>	<u>\$ 280,516</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, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Other taxes and licenses	\$ 105,222	\$ 105,222	\$ -	\$ 181,202
Investment earnings	-	1,347	1,347	938
Total revenues	105,222	106,569	1,347	182,140
Expenditures:				
Public safety	465,479	279,585	185,894	97,818
Revenues over (under) expenditures	(360,257)	(173,016)	187,241	84,322
Other Financing Sources (Uses):				
Transfer (to) from other funds	(13,939)	(13,939)	-	89,379
Appropriated fund balance	374,196	-	(374,196)	-
Total other financing sources (uses)	360,257	(13,939)	(374,196)	89,379
Net change in fund balance	\$ -	(186,955)	\$ (186,955)	173,701
Fund Balance:				
Beginning of year - July 1		451,101		277,400
End of year - June 30		\$ 264,146		\$ 451,101

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, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
Revenues:				
Fire protection fees	\$ <u>260,000</u>	\$ <u>248,182</u>	\$ <u>(11,818)</u>	\$ <u>251,119</u>
Expenditures:				
Volunteer fire department	<u>260,000</u>	<u>233,573</u>	<u>26,427</u>	<u>251,119</u>
Net change in fund balance	\$ <u><u>-</u></u>	<u>14,609</u>	\$ <u><u>14,609</u></u>	<u>-</u>
Fund Balance:				
Beginning of year - July 1		<u>1,761</u>		<u>1,761</u>
End of year - June 30		\$ <u><u>16,370</u></u>		\$ <u><u>1,761</u></u>

GATES COUNTY, NORTH CAROLINA

**CDBG SCATTERED SITE GRANT PROJECT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 400,000	\$ 255,630	\$ 144,370	\$ 400,000
Expenditures:				
Economic and physical development				
Clearance	37,054	18,051	9,086	27,137
Relocation	315,946	196,989	123,271	320,260
Administration	47,000	40,484	12,119	52,603
Total expenditures	<u>400,000</u>	<u>255,524</u>	<u>144,476</u>	<u>400,000</u>
Net change in fund balance	\$ -	\$ 106	\$ (106)	\$ -

GATES COUNTY, NORTH CAROLINA

**CDBG CAPACITY BUILDING GRANT
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012**

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 400,000	\$ -	\$ 27,189	\$ 27,189
Expenditures:				
Economic and physical development				
Clearance	37,054	-	-	-
Relocation	315,946	-	-	-
Administration	47,000	-	27,189	27,189
Total expenditures	400,000	-	27,189	27,189
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

GATES COUNTY, NORTH CAROLINA

LANDFILL FUND

SCHEDULE OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Charges for services:				
Solid waste charges	\$ 740,000	\$ 745,396	\$ 5,396	\$ 711,027
Federal and state grants	-	10,023	10,023	-
Miscellaneous	947	946	(1)	851
Total operating revenues	<u>740,947</u>	<u>756,365</u>	<u>15,418</u>	<u>711,878</u>
Non-operating revenues:				
Investment earnings	-	884	884	517
White goods	5,000	3,706	(1,294)	3,794
Scrap tire	15,000	16,537	1,537	19,136
Solid waste disposal tax	7,000	9,746	2,746	9,453
Total non-operating revenues	<u>27,000</u>	<u>30,873</u>	<u>3,873</u>	<u>32,900</u>
Total revenues	<u>767,947</u>	<u>787,238</u>	<u>19,291</u>	<u>744,778</u>
Expenditures:				
Landfill operations:				
Operating expenditures	<u>767,947</u>	<u>681,830</u>	<u>86,117</u>	<u>631,892</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 105,408</u>	<u>\$ 105,408</u>	<u>\$ 112,886</u>

GATES COUNTY, NORTH CAROLINA

**WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011**

	2012			2011
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Water sales	\$ 843,000	\$ 890,532	\$ 47,532	\$ 875,937
Water taps and connection fees	23,000	31,000	8,000	19,750
Miscellaneous	8,000	8,760	760	27,756
Total operating revenues	<u>874,000</u>	<u>930,292</u>	<u>56,292</u>	<u>923,443</u>
Non-operating revenues:				
Grants	-	5,132	5,132	-
Investment earnings	6,000	6,110	110	5,685
Tax refunds	1,400	2,498	1,098	2,386
Total non-operating revenues	<u>7,400</u>	<u>13,740</u>	<u>6,340</u>	<u>8,071</u>
Total revenues	<u>881,400</u>	<u>944,032</u>	<u>62,632</u>	<u>931,514</u>
Expenditures:				
Water and sewer operations:				
Salaries and benefits	283,941	283,582	359	267,988
Operating expenditures	343,737	298,025	45,712	411,440
Capital outlay	51,481	-	51,481	52,380
Reimbursement for General Fund administration	52,411	47,805	4,606	43,608
Total operations	<u>731,570</u>	<u>629,412</u>	<u>102,158</u>	<u>775,416</u>
Debt service:				
Principal payment	143,771	155,984	(12,213)	143,770
Interest and fees	46,450	27,276	19,174	46,450
Total debt service	<u>190,221</u>	<u>183,260</u>	<u>6,961</u>	<u>190,220</u>
Total expenditures	<u>921,791</u>	<u>812,672</u>	<u>109,119</u>	<u>965,636</u>

GATES COUNTY, NORTH CAROLINA

WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2011

	<u>2012</u>		<u>Variance Over/Under</u>	<u>2011</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues over (under) expenditures	(40,391)	131,360	171,751	(34,122)
Other Financing Sources (Uses):				
Transfers (to) from other funds	(216,963)	(177,262)	(39,701)	-
Appropriated fund balance	257,354	-	(257,354)	-
Total other financing sources (uses)	40,391	(177,262)	(297,055)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (45,902)	\$ (45,902)	\$ (34,122)

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

Revenues and other financing sources over (under) expenditures and other financing uses	\$ (45,902)
Reconciling items:	
Capital outlay	580,730
Debt principal	155,984
Change in accrued vacation pay	(4,880)
Depreciation	(226,036)
Increase in other post-employment benefits	(29,502)
Total reconciling items	476,296
Change in net assets	\$ 430,394

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, 2012**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	
			<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 350,000	\$ -	\$ 225,409	\$ 225,409
Expenditures:				
Construction costs	784,724	-	580,730	580,730
Revenues over (under) expenditures	(434,724)	-	(355,321)	(355,321)
Other Financing Sources (Uses):				
Transfer in	434,724	-	355,321	355,321
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			\$ -	

GATES COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>Social Services</u>				
Assets:				
Cash and cash equivalents	\$ 2,636	\$ 28,103	\$ (27,844)	\$ 2,895
Liabilities:				
Miscellaneous liabilities	\$ 2,636	\$ 28,103	\$ (27,844)	\$ 2,895
<u>DMV Fund</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 6,635	\$ (5,689)	\$ 946
Liabilities:				
Miscellaneous liabilities	\$ -	\$ 6,635	\$ (5,689)	\$ 946
<u>Extension Director Funds</u>				
Assets:				
Cash and cash equivalents	\$ 12,276	\$ -	\$ (12,276)	\$ -
Liabilities:				
Miscellaneous liabilities	\$ 12,276	\$ -	\$ (12,276)	\$ -
<u>4-H Fund</u>				
Assets:				
Cash and cash equivalents	\$ 48,387	\$ -	\$ (48,387)	\$ -
Liabilities:				
Miscellaneous liabilities	\$ 48,387	\$ -	\$ (48,387)	\$ -
<u>Drainage District I</u>				
Assets:				
Receivables	\$ 53	\$ 736	\$ (728)	\$ 61
Liabilities:				
Miscellaneous	\$ 53	\$ 736	\$ (728)	\$ 61

GATES COUNTY, NORTH CAROLINA

AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>Drainage District II</u>				
Assets:				
Receivables	\$ 320	\$ 6,137	\$ (6,207)	\$ 250
Liabilities:				
Miscellaneous	\$ 320	\$ 6,137	\$ (6,207)	\$ 250
<u>Drainage District III</u>				
Assets:				
Receivables	\$ 70	\$ 1,309	\$ (1,320)	\$ 59
Liabilities:				
Miscellaneous	\$ 70	\$ 1,309	\$ (1,320)	\$ 59
<u>Town of Gatesville</u>				
Assets:				
Receivables	\$ 1,928	\$ 48,992	\$ (48,531)	\$ 2,389
Liabilities:				
Miscellaneous	\$ 1,928	\$ 48,992	\$ (48,531)	\$ 2,389
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 63,299	\$ 34,738	\$ (94,196)	\$ 3,841
Receivables	2,371	57,174	(56,786)	2,759
Total assets	<u>\$ 65,670</u>	<u>\$ 91,912</u>	<u>\$ (150,982)</u>	<u>\$ 6,600</u>
Liabilities:				
Miscellaneous liabilities	<u>\$ 65,670</u>	<u>\$ 91,912</u>	<u>\$ (150,982)</u>	<u>\$ 6,600</u>

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND
JUNE 30, 2012

Fiscal Year	Uncollected Balance July 1, 2011	Additions	Collections and Credits	Uncollected Balance June 30, 2012
2011-2012	\$ -	\$ 5,969,690	\$ 5,646,169	\$ 323,521
2010-2011	326,194	-	235,569	90,625
2009-2010	100,185	-	41,255	58,930
2008-2009	72,620	-	19,191	53,429
2007-2008	51,291	-	9,645	41,646
2006-2007	35,651	-	3,710	31,941
2005-2006	30,119	-	4,368	25,751
2004-2005	29,945	-	2,214	27,731
2003-2004	20,924	-	2,123	18,801
2002-2003	23,684	-	2,189	21,495
2001-2002	21,548	-	21,548	-
Total	<u>\$ 712,161</u>	<u>\$ 5,969,690</u>	<u>\$ 5,987,981</u>	<u>693,870</u>
Plus uncollected 2011-2012 ad valorem taxes receivable - motor vehicles				465
Less: Allowance for uncollectible accounts				<u>(305,267)</u>
Ad valorem taxes receivable - net:				
General Fund				<u>\$ 389,068</u>
Reconciliation with Revenues:				
Taxes - ad valorem - General Fund				\$ 6,037,056
Reconciling items:				
Penalties and interest				(3,494)
Refunds and other adjustments				(11,927)
Miscellaneous adjustments				(55,202)
Amounts written off per Statute of Limitations				<u>21,548</u>
Total collections and credits				<u>\$ 5,987,981</u>

GATES COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY - COUNTY-WIDE LEVY
FOR THE YEAR ENDED JUNE 30, 2012

	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	\$ 890,959,531	\$ 0.640	\$ 5,702,141	\$ 5,314,689	\$ 387,452
Motor vehicles taxed at prior year's rate	<u>21,006,094</u>	0.640	<u>134,439</u>	<u>-</u>	<u>134,439</u>
Total	<u>911,965,625</u>		<u>5,836,580</u>	<u>5,314,689</u>	<u>521,891</u>
Discoveries:					
Current year taxes	<u>22,662,031</u>		<u>145,037</u>	<u>145,037</u>	<u>-</u>
Abatements	<u>(1,863,594)</u>		<u>(11,927)</u>	<u>(5,160)</u>	<u>(6,767)</u>
Total property valuation	<u>\$ 932,764,063</u>				
Net Levy			5,969,690	5,454,566	515,124
Uncollected taxes at June 30, 2012			<u>(323,521)</u>	<u>(226,239)</u>	<u>(97,282)</u>
Current Year's Taxes Collected			<u>\$ 5,646,169</u>	<u>\$ 5,228,327</u>	<u>\$ 417,842</u>
Current Levy Collection Percentage			<u>94.58%</u>	<u>95.85%</u>	<u>81.11%</u>

This page left blank intentionally.