

Gates County, North Carolina

Year Ended June 30, 2008

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of County 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 for Gates County, North Carolina, as of and for the year then ended June 30, 2008, 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 other auditors whose reports thereon have been furnished to us; and our opinion, insofar as it relates to the amounts included for the Gates County ABC Board is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gates County, North Carolina as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, 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 December 1, 2008 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 and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

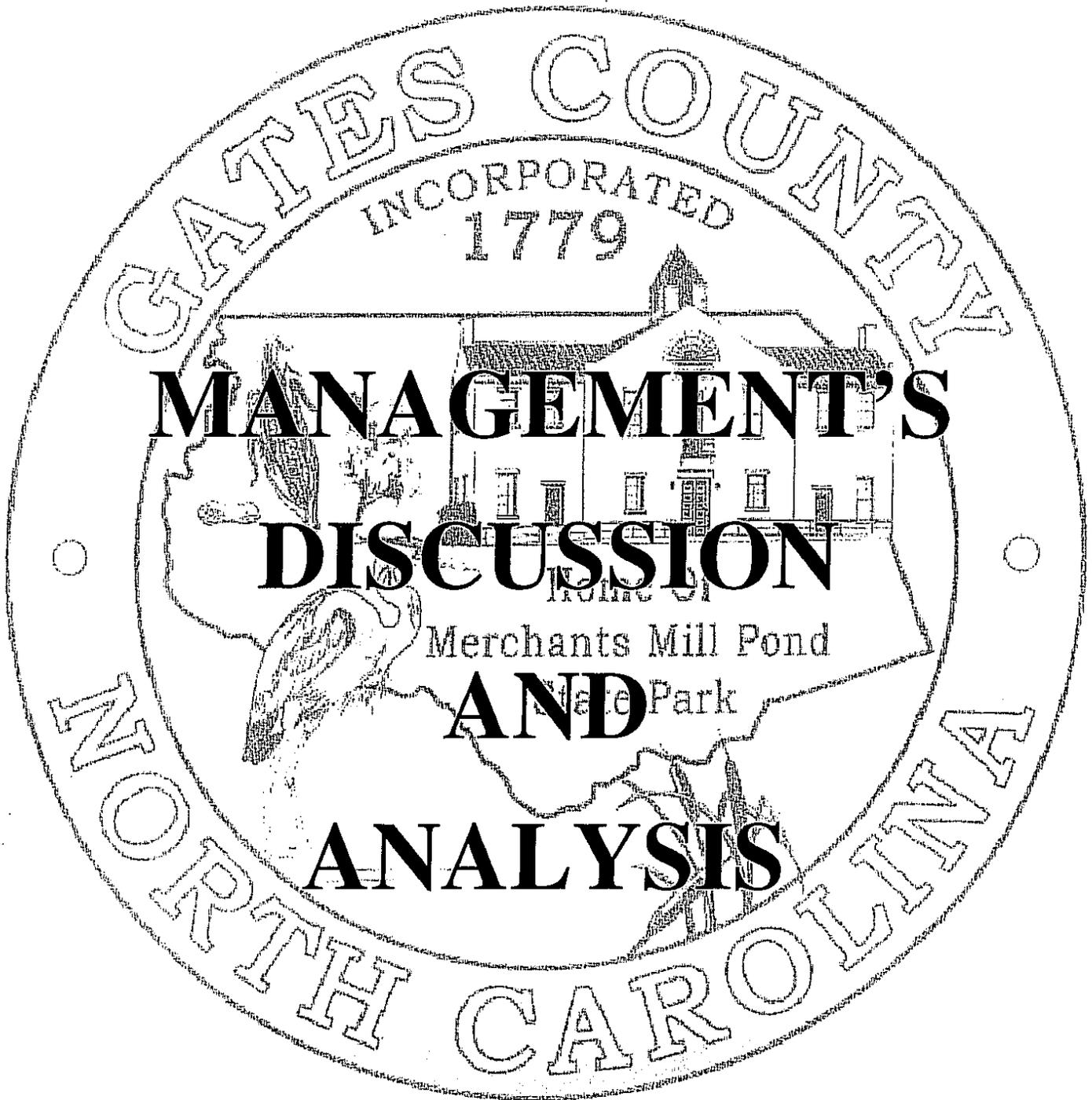
To the Board of County Commissioners
Gates County, North Carolina
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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Gates County, North Carolina. The introductory information, combining and individual non-major fund statements and schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and the accompanying schedule of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit report and the report of other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pittard Perry & Crone Inc.

New Bern, North Carolina
December 1, 2008



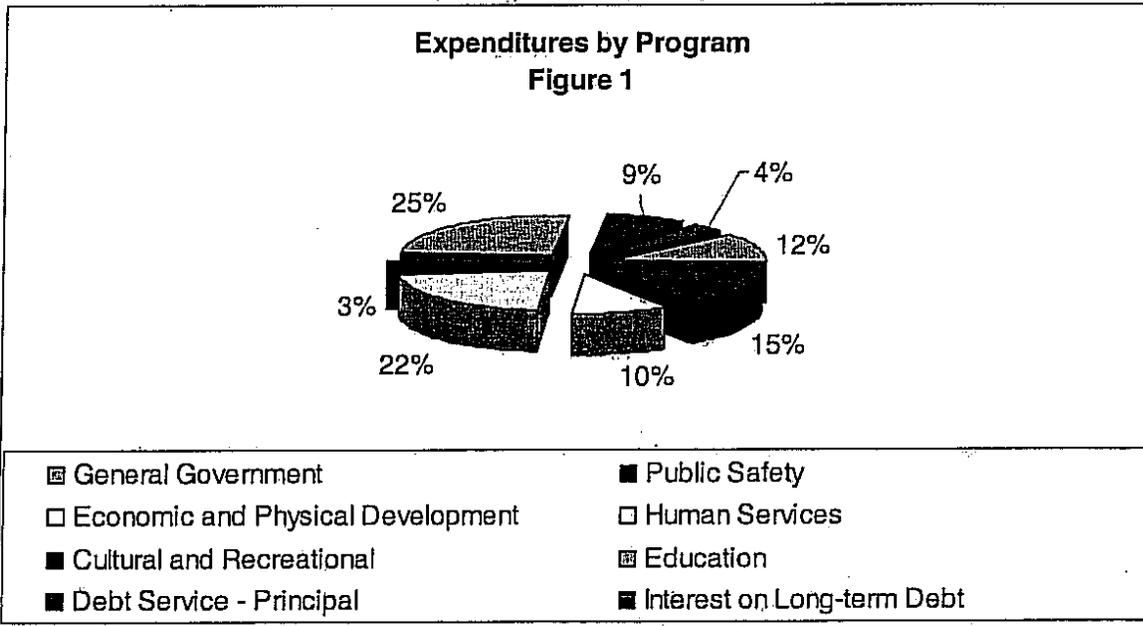
**MANAGEMENT'S
DISCUSSION
AND
ANALYSIS**

**GATES COUNTY, NORTH CAROLINA
MANAGEMENTS DISCUSSION AND ANALYSIS
June 30, 2008**

As management of Gates County, we are providing readers of Gates County's financial statements a narrative overview and analysis of Gates County's financial performance during the fiscal year ended June 30, 2008. We encourage financial statement readers to use the information provided in this discussion in conjunction with the County's basic financial statements which begin on page 21 of this report.

Financial Highlights

- Ad valorem tax revenue increased due to an increase in the tax rate from \$0.91 to \$0.975.
- For governmental activities, net assets increased by \$821,066 during the current fiscal year.
- For business-type activities, net assets increased by \$83,138 during the current fiscal year.
- Gates County's capital assets for its governmental and business-type activities as of June 30, 2008, total \$8,440,497 (net of accumulated depreciation).
- As of June 30, 2008, Gates County had total debt outstanding of \$12,208,401.



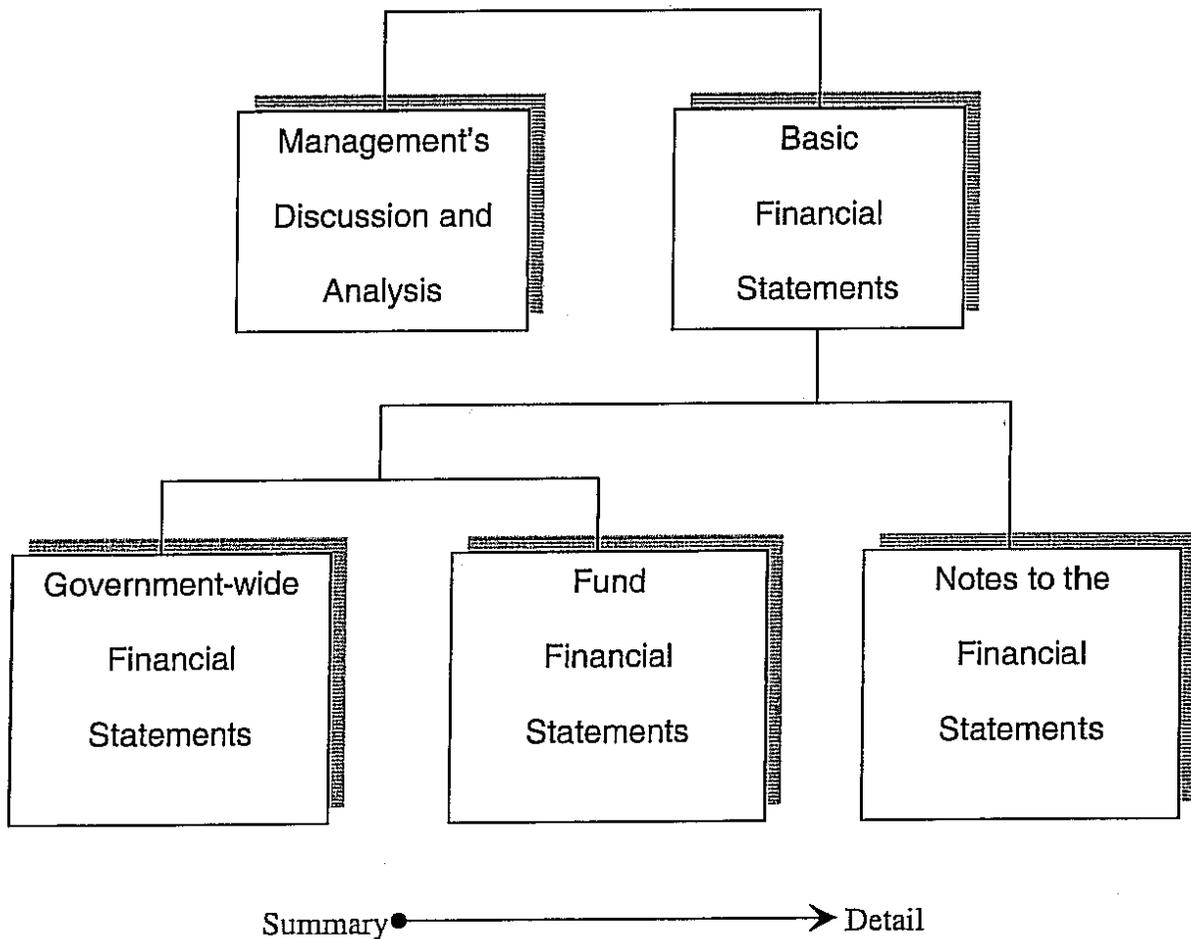
**GATES COUNTY, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Overview of the Financial Statements

Management's discussion and analysis is intended to provide an introduction to Gates County's basic financial statements. The financial section of this report includes management's discussion and analysis and the basic financial statements. The 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 (see Figure 2). 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 supplement the reader's understanding of the financial position of Gates County.

Required Components of Annual Financial Report

Figure 2



**GATES COUNTY, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2008

Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. These statements provide both short and long-term information about the County's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. They show how government services were financed and what remains for future spending at the end of the fiscal year. These statements also provide more detail about the County's operations than the government-wide statements by providing more information about the County's major funds. 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 fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the information contained in both the government-wide and fund financial statements. The notes are an integral and essential part of the basic financial statements.

After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. These statements are designed to provide a broad overview of the County's finances. Government-wide financial statements are presented using the *accrual basis of accounting*, which is used by most private-sector businesses. (Accrual basis accounting takes into account all of the current year's revenues and expenses regardless of when cash is actually received or paid out). The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net assets (the Statement of Net Assets) and how they have changed (the Statement of Activities). Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to evaluate the County's financial position. Over time, increases or decreases in the County's net assets is a sign of whether the County's financial health is strengthening or weakening. The Statement of Activities reports net operating costs for government programs.

The government-wide statements (the Statement of Net Assets and the Statement of

**GATES COUNTY, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2008

Activities) are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and landfill services offered by Gates County. The final category is the component units. Gates County ABC Board is a component unit for Gates County. Although legally separate from the County, the ABC Board is important to Gates County because the County is financially accountable for the Board by appointing its members and because the Board is required by State statute to distribute its profits to Gates County's general fund.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

Fund financial statements present the balances and changes in those balances for each of the government's funds. These statements provide a more detailed look at the County's most significant activities. 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 all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Gates County can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 money flows in and out of a fund and the amount available at year end for spending in future years. Governmental funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can easily be converted to cash. As a result, the governmental fund financial statements give the reader a detailed short-term view of the County's general government operations and the services provided by the government. Governmental fund information aids in determining if there are more or less financial resources available in the near future to finance the County's programs. Because the focus of governmental funds is different than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements. The relationship between government *activities* (reported in the

**GATES COUNTY, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2008

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 found on page 27.

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 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 original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. 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 are used to report activities related to services that the County provides in which they also charge a fee for the services. Gates County has one kind of proprietary fund called an enterprise fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements (the Statement of Net Assets and the Statement of Activities). Gates County uses enterprise funds to account for its water activity and for its solid waste operations. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continual basis be financed or recovered primarily through user charges.

Fiduciary Funds are used to account for assets or resources the County holds on behalf of others outside of the government. The County has one fiduciary fund, and that is the Social Services Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. These funds are presented separately in the fund financial statements section of the basic financial statements.

Notes to the Financial Statements are included in the basic 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 are an integral and essential part of the basic financial statements. They begin on page 34 of this report.

**GATES COUNTY, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2008

Government-Wide Financial Analysis

Gates County's Net Assets

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 10,291,794	\$ 8,485,563	\$ 1,829,631	\$ 1,818,159	\$ 12,121,425	\$ 10,303,722
Capital assets	2,927,942	2,886,414	5,512,555	5,649,475	8,440,497	8,535,889
Total assets	<u>\$ 13,219,736</u>	<u>\$ 11,371,977</u>	<u>\$ 7,342,186</u>	<u>\$ 7,467,634</u>	<u>\$ 20,561,922</u>	<u>\$ 18,839,611</u>
Long-term liabilities outstanding	\$ 10,948,190	\$ 9,969,205	\$ 1,260,211	\$ 1,387,875	\$ 12,208,401	\$ 11,357,080
Other liabilities	417,814	370,106	79,138	160,060	496,952	530,166
Total liabilities	<u>11,366,004</u>	<u>10,339,311</u>	<u>1,339,349</u>	<u>1,547,935</u>	<u>12,705,353</u>	<u>11,887,246</u>
Net assets:						
Invested in capital assets, net of related debt	1,024,433	2,862,146	4,267,506	4,261,600	5,291,939	7,123,746
Restricted						
Unrestricted	829,299	(1,829,480)	1,735,331	1,658,099	2,564,630	(171,381)
Total net assets	<u>\$ 1,853,732</u>	<u>\$ 1,032,666</u>	<u>\$ 6,002,837</u>	<u>\$ 5,919,699</u>	<u>\$ 7,856,569</u>	<u>\$ 6,952,365</u>

As noted earlier, net assets may serve over time as one useful indicator of Gates County's financial condition. The assets of Gates County exceeded liabilities by \$7,856,569 as of June 30, 2008. By far, the largest portion of the County's net assets is its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any outstanding debt related to acquiring these assets. Those capital assets are used to provide services to citizens and are not available for future spending. The County's net assets increased by \$904,204 for the fiscal year ended June 30, 2008. Although Gates County's investment in its capital assets is reported net of the outstanding related debt, it should be noted that the resources needed to repay that debt must be provided by other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2008, the County reported \$5,291,939 in net assets invested in capital assets net of related debt.

In some cases, there may be external restrictions on the County's net assets. These restrictions represent resources subject to existing external obligation or programmatic control on future use. At June 30, 2008, there were no external restrictions on net assets. The remaining balance in unrestricted net assets may be used to meet the government's ongoing obligations to the citizens and creditors. At June 30, 2008 Gates County's unrestricted net assets totaled \$2,564,630.

Total net assets in excess of liabilities at June 30, 2008 for the governmental and business-type activities were \$1,853,732 and \$6,002,837, respectively (refer to figure 3).

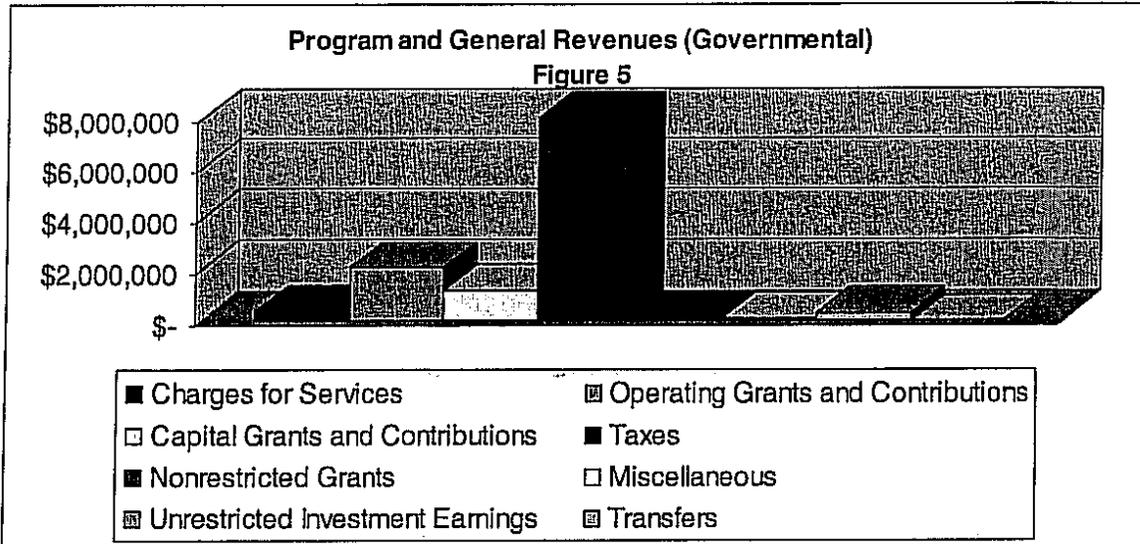
For governmental activities, net assets increased by \$821,066 during the current fiscal year. This increase can be attributed to:

- A property tax rate increase of \$.065 and increase in total valuation due to new construction

**GATES COUNTY, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

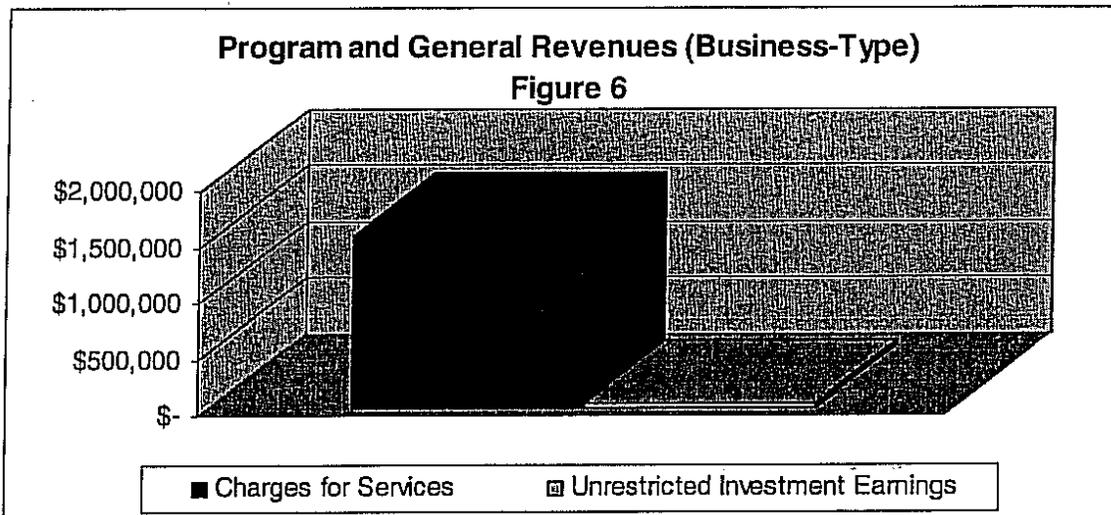
June 30, 2008

- Increases in local option sales tax revenues



For business-type activities, net assets increased by \$83,138 during the fiscal year. The chart located at Figure 7 represents the changes in net assets for both governmental and business-type activities for the fiscal year ended June 30, 2008.

Of this \$83,138 increase in net assets, \$69,425 is assigned to the Landfill operations, while \$13,713 is designated as Water operations.



**GATES COUNTY, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2008

Gates County's Changes in Net Assets

Figure 7

	Governmental Activities 2008	Governmental Activities 2007	Business-type Activities 2008	Business-type Activities 2007	Total 2008	Total 2007
Revenues:						
Program revenues:						
Charges for services	\$ 368,998	\$ 278,784	\$ 1,508,246	\$ 1,529,533	\$ 1,877,244	\$ 1,808,317
Operating grants and contributions	2,065,904	1,946,302	-	-	2,065,904	1,946,302
Capital grants and contributions	1,199,628	463,901	48,000	-	1,247,628	463,901
General revenues:						
Property taxes	5,361,227	5,022,414	-	-	5,361,227	5,022,414
Local option sales tax	2,085,556	2,023,620	-	-	2,085,556	2,023,620
Other taxes	540,650	523,303	-	18,387	540,650	541,690
Grants and contributions not restricted to specific programs	91,198	-	-	-	91,198	-
Investment earnings, unrestricted	285,271	179,940	34,353	36,298	319,624	216,238
Other	82,982	61,779	33,619	9,287	116,601	71,066
Transfers	500	96	(500)	(96)	-	-
Total revenues	12,081,914	10,500,139	1,623,718	1,593,409	13,705,632	12,093,548
Expenses:						
General government	1,358,620	1,232,984	-	-	1,358,620	1,232,984
Public safety	1,773,145	1,766,508	-	-	1,773,145	1,766,508
Environmental protection	-	48,064	-	-	-	48,064
Economic and physical development	1,073,506	1,009,409	-	-	1,073,506	1,009,409
Human services	2,287,082	2,385,525	-	-	2,287,082	2,385,525
Cultural and recreation	348,990	312,789	-	-	348,990	312,789
Education	4,051,274	2,860,400	-	-	4,051,274	2,860,400
Interest on long-term debt	368,231	129,790	-	-	368,231	129,790
Landfill	-	-	696,967	756,589	696,967	756,589
Water and sewer	-	-	843,613	814,759	843,613	814,759
Total expenses	11,260,848	9,745,469	1,540,580	1,571,348	12,801,428	11,316,817
Increase (decrease) in net assets before transfers	821,066	754,670	83,138	22,061	904,204	776,731
Transfers	-	-	-	-	-	-
Increase in net assets	821,066	754,670	83,138	22,061	904,204	776,731
Net assets, beginning	277,996	277,996	5,897,638	5,897,638	6,175,634	6,175,634
Net assets, ending	\$ 1,099,062	\$ 1,032,666	\$ 5,980,776	\$ 5,919,699	\$ 7,079,838	\$ 6,952,365

**GATES COUNTY, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Financial Analysis of the County's Funds

As previously noted, 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Gates County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,828,582, while total fund balance reached \$2,616,354. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 18% of total General Fund expenditures. Total fund balance represents 25% of total General Fund expenditures.

At June 30, 2008, the governmental funds of Gates County reported a combined fund balance of \$9,255,273, a 24% increase over last year. Of this amount, \$802,900 is reserved, with the remaining balance available for spending at the government's discretion.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of 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 increase revenues by \$502,008.

Proprietary Funds: Gates County's proprietary funds provide the same type of information found in the government-wide statements under business-type activities, but in more detail. Unrestricted net assets of the Landfill Fund at the end of the fiscal year amounted to \$109,282, and those for the Water Fund equaled \$1,599,643. The total change in net assets for both major funds was \$69,425 and \$13,713 respectively for the landfill and water funds. Other factors concerning the finances of these funds have already been addressed in the discussion of Gates County's business-type activities.

**GATES COUNTY, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2008

Capital Asset and Debt Administration

Capital assets: Gates County's capital assets for its governmental and business-type activities as of June 30, 2008, totals \$8,440,497 (net of accumulated depreciation). These assets include buildings, land, improvements, substations, lines and distribution systems, furniture and equipment, and vehicles.

Major capital asset transactions during the year include:

General Government

- One truck purchased for Inspections Department

Public Safety

- Two patrol cars purchased for the Sheriff's Department
- One truck purchased for Emergency Services

Economic & Physical Development

- Four vans for GITS

Water Department

- Two trucks

**Gates County's Capital Assets
(Net of depreciation)**

Figure 8

	Governmental	Governmental	Business-type	Business-type	Total	Total
	Activities	Activities	Activities	Activities	2008	2007
	2008	2007	2008	2007		
Land	\$ 290,237	\$ 290,237	\$ 27,476	\$ 27,476	\$ 317,713	\$ 317,713
Construction in Progress	-	1,694,328			\$ -	\$ 1,694,328
Buildings	2,101,370	466,325	-	-	2,101,370	466,325
Plant and Distribution Systems	-	-	5,234,764	5,416,210	5,234,764	5,416,210
Other Improvements	36,078	39,651	-	-	36,078	39,651
Equipment	165,029	171,001	174,537	143,535	339,566	314,536
Vehicles and motorized equipment	335,228	224,872	75,778	62,254	411,006	287,126
Total	\$ 2,927,942	\$ 2,886,414	\$ 5,512,555	\$ 5,649,475	\$ 8,440,497	\$ 8,535,889

Additional information on the County's capital assets can be found in note III.A.5 of the Basic Financial Statements.

**GATES COUNTY, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Long-term Debt: As of June 30, 2008, Gates County had total debt outstanding of \$12,208,401. Of this total debt, \$8,847,934 is for school building projects completed years ago and new school construction in progress, \$1,245,049 is for capital improvements to the water system completed years ago, \$1,884,920 is for the new Social Services building, and \$211,909 consists of compensated absences.

Gates County's Outstanding Debt
Installment Purchase Obligations

Figure 9

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Installment Purchase Obligations	\$ 10,751,443	\$ 9,754,419	\$ 1,245,049	\$ 1,369,276	\$ 11,996,492	\$ 11,123,695

Gates County's total debt increased during the past fiscal year due to financing of the construction of the new Social Service building.

Additional information regarding Gates County's long-term debt can be found in note III.B.5 beginning on page 50 of the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County.

- The County is enjoying a low unemployment rate of approximately 5.5% as of June 30, lower than the state average of 5.9%
- Retail activity continues to remain constant, with sales tax revenues continuing to come in at or above budgeted projections.
- The County is in the intermediary stages of the development of a multi-use area with the assistance of grant funding for the wastewater feasibility study being provided by Golden Leaf. The County hopes this development will initiate commercial growth within the County, thereby significantly increasing the tax base.
- Gates County has been identified by the Navy as one of five final potential sites for an outlying landing field (OLF). Gates County has already experienced a perceived decline in desirability for growth from Tidewater Virginia, attributable for most current growth, due to this announcement.

**GATES COUNTY, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Budget Highlights for the Fiscal Year Ending June 30, 2009

Governmental Activities: The Board of Commissioners will implement a Cash Management and Investment Policy to increase revenues by allowing more funds to be moved to the North Carolina Capital Management Trust accounts. These accounts historically provide a higher rate of return than a checking account.

Business – type Activities: An increase in the water rates will generate funds needed for future capital purchases.

Requests for Information

This financial report is designed to provide a general overview of Gates County's finances for those with an interest in the government's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer or County Manager, Gates County, 202 Court Street, Gatesville, NC 27938.



BASIC FINANCIAL STATEMENTS

Gates County, North Carolina
Statement of Net Assets
 June 30, 2008

Exhibit 1

	Primary Government			Component Unit Gates County ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 3,426,882	\$ 1,597,749	\$ 5,024,631	\$ 130,875
Receivables (net)	1,334,965	215,395	1,550,360	-
Inventories	-	16,487	16,487	109,922
Prepaid items	-	-	-	776
Restricted cash	5,529,947	-	5,529,947	-
Capital assets:				
Land, improvements, and construction in progress	290,237	27,476	317,713	4,345
Other capital assets, net of depreciation	<u>2,637,705</u>	<u>5,485,079</u>	<u>8,122,784</u>	<u>11,537</u>
Total capital assets	<u>2,927,942</u>	<u>5,512,555</u>	<u>8,440,497</u>	<u>15,882</u>
Total assets	<u>13,219,736</u>	<u>7,342,186</u>	<u>20,561,922</u>	<u>257,455</u>
LIABILITIES				
Accounts payable and accrued expenses	381,793	79,138	460,931	38,575
Unearned revenue	36,021	-	36,021	-
Long-term liabilities:				
Due within one year	936,910	130,427	1,067,337	-
Due in more than one year	<u>10,011,280</u>	<u>1,129,784</u>	<u>11,141,064</u>	<u>-</u>
Total liabilities	<u>11,366,004</u>	<u>1,339,349</u>	<u>12,705,353</u>	<u>38,575</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,024,433	4,267,506	5,291,939	15,882
Unrestricted	<u>829,299</u>	<u>1,735,331</u>	<u>2,564,630</u>	<u>202,998</u>
Total net assets	<u>\$ 1,853,732</u>	<u>\$ 6,002,837</u>	<u>\$ 7,856,569</u>	<u>\$ 218,880</u>

The notes to the financial statements are an integral part of this statement.

Gates County, North Carolina
Statement of Activities
June 30, 2008

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental Activities:				
General government	\$ 1,358,620	\$ 173,325	\$ -	\$ -
Public safety	1,773,145	168,234	264,385	-
Economic and physical development	1,073,506	27,439	497,331	239,944
Human services	2,287,082	-	1,276,172	-
Cultural and recreation	348,990	-	-	624,624
Education	4,051,274	-	28,016	335,060
Interest on long-term debt	368,231	-	-	-
Total governmental activities	<u>11,260,848</u>	<u>368,998</u>	<u>2,065,904</u>	<u>1,199,628</u>
Business-type activities:				
Landfill	696,967	742,309	-	-
Water and Sewer	843,613	765,937	-	48,000
Total business-type activities	<u>1,540,580</u>	<u>1,508,246</u>	<u>-</u>	<u>48,000</u>
Total primary government	<u>\$ 12,801,428</u>	<u>\$ 1,877,244</u>	<u>\$ 2,065,904</u>	<u>\$ 1,247,628</u>
Component units:				
ABC Board	\$ 381,943	\$ 387,078	\$ -	\$ -
Total component units	<u>\$ 381,943</u>	<u>\$ 387,078</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Taxes:				
Property taxes, levied for general purpose				
Local option sales tax				
Other taxes and licenses				
Grants and contributions not restricted to specific programs				
Investment earnings, unrestricted				
Miscellaneous, unrestricted				
Transfers				
Total general revenues				
Change in net assets				
Net assets-beginning				
Net assets-ending				

The notes to the financial statements are an integral part of this statement.

<u>Net (Expense) Revenue and Changes in Net Assets</u>			
<u>Primary Government</u>			<u>Component Unit</u>
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Gates County ABC Board</u>
(\$ 1,185,295)	\$ -	(\$ 1,185,295)	
(1,340,526)	-	(1,340,526)	
(308,792)	-	(308,792)	
(1,010,910)	-	(1,010,910)	
275,634	-	275,634	
(3,688,198)	-	(3,688,198)	
(368,231)	-	(368,231)	
(7,626,318)	-	(7,626,318)	
-	45,342	45,342	
-	(29,676)	(29,676)	
-	15,666	15,666	
(\$ 7,626,318)	\$ 15,666	(\$ 7,610,652)	
			5,135
			5,135
5,361,227	-	5,361,227	-
2,085,556	-	2,085,556	-
540,650	-	540,650	-
91,198	-	91,198	-
285,271	34,353	319,624	3,220
82,982	33,619	116,601	-
500	(500)	-	-
8,447,384	67,472	8,514,856	3,220
821,066	83,138	904,204	8,355
1,032,666	5,919,699	6,952,365	210,525
\$ 1,853,732	\$ 6,002,837	\$ 7,856,569	\$ 218,880

Gates County, North Carolina
Balance Sheet
Governmental Funds
 June 30, 2008

Exhibit 3

	General	School Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,102,522	\$ -	\$ 1,324,360	\$ 3,426,882
Receivables, net	1,319,837	-	15,128	1,334,965
Due from other funds	5,152	-	-	5,152
Restricted cash	-	5,529,947	-	5,529,947
Total assets	\$ 3,427,511	\$ 5,529,947	\$ 1,339,488	\$ 10,296,946
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 156,430	\$ 209,769	\$ 15,595	\$ 381,794
Due to other funds	-	-	5,152	5,152
Unearned revenue	36,021	-	-	36,021
Deferred revenue	618,706	-	-	618,706
Total liabilities	811,157	209,769	20,747	1,041,673
 Fund balances:				
Reserved for:				
State statute	706,283	-	15,128	721,411
Subsequent year's budget	81,489	-	-	81,489
Unreserved	1,828,582	-	-	1,828,582
Unreserved, reported in non-major:				
Special revenue funds	-	-	1,303,613	1,303,613
Capital project funds	-	5,320,178	-	5,320,178
Total fund balances	2,616,354	5,320,178	1,318,741	9,255,273
Total liabilities and fund balances	\$ 3,427,511	\$ 5,529,947	\$ 1,339,488	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,927,943
Liabilities for earned but deferred revenues in fund statements.	618,706
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 3).	(10,948,190)
Net assets of governmental activities	\$ 1,853,732

Gates County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds

For the Year Ended June 30, 2008

Exhibit 4

	General	School Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Ad valorem taxes	\$ 5,417,442	\$ -	\$ -	\$ 5,417,442
Local option sales taxes	2,495,892	-	-	2,495,892
Other taxes and licenses	77,500	-	366,463	443,963
Unrestricted intergovernmental	69,251	-	-	69,251
Restricted intergovernmental	2,350,673	-	721,053	3,071,726
Permits and fees	170,147	-	-	170,147
Sales and services	94,202	-	-	94,202
Investment earnings	54,346	214,943	15,982	285,271
Miscellaneous	82,982	-	-	82,982
Total revenues	10,812,435	214,943	1,103,498	12,130,876
EXPENDITURES				
Current:				
General government	1,244,173	-	97,695	1,341,868
Public safety	1,535,466	-	290,943	1,826,409
Economic and physical development	1,043,228	-	93,955	1,137,183
Human services	2,252,062	-	14,067	2,266,129
Cultural and recreational	306,520	-	28,928	335,448
Intergovernmental:				
Education	2,586,600	1,464,674	-	4,051,274
Debt service:				
Principal	882,217	-	-	882,217
Interest	368,231	-	-	368,231
Total expenditures	10,218,497	1,464,674	525,588	12,208,759
Excess (deficiency) of revenues over expenditures	593,938	(1,249,731)	577,910	(77,883)
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds	(57,999)	-	58,499	500
Transfer from component unit	1,500	-	-	1,500
Sale of fixed assets	5,700	-	-	5,700
Installment purchase proceeds	-	-	1,884,920	1,884,920
Total other financing sources (uses)	(50,799)	-	1,943,419	1,892,620
Net change in fund balance	543,139	(1,249,731)	2,521,329	1,814,737
Fund balances-beginning	2,073,215	6,569,909	(1,202,588)	7,440,536
Fund balances-ending	\$ 2,616,354	\$ 5,320,178	\$ 1,318,741	\$ 9,255,273

(continued)

Gates County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds

For the Year Ended June 30, 2008

Exhibit 4

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 1,814,737
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	41,975
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(56,215)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis.	(447)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(997,024)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>18,040</u>
Total changes in net assets of governmental activities	<u>\$ 821,066</u>

Gates County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2008

Exhibit 5

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 5,498,107	\$ 5,498,107	\$ 5,417,442	(\$ 80,665)
Local option sales tax	2,030,032	2,030,032	2,495,892	465,860
Other taxes and licenses	56,600	56,600	77,500	20,900
Unrestricted intergovernmental	65,300	65,300	69,251	3,951
Restricted intergovernmental	2,271,106	2,742,961	2,350,673	(392,288)
Permits and fees	173,950	173,950	170,147	(3,803)
Sales and services	109,663	110,225	94,202	(16,023)
Investment earnings	42,600	43,600	54,346	10,746
Miscellaneous	71,015	99,606	82,982	(16,624)
Total revenues	<u>10,318,373</u>	<u>10,820,381</u>	<u>10,812,435</u>	<u>(7,946)</u>
Expenditures:				
Current:				
General government	1,371,421	1,354,543	1,244,173	110,370
Public safety	1,591,200	1,627,084	1,535,466	91,618
Economic and physical development	773,187	1,194,530	1,043,228	151,302
Human services	2,532,013	2,531,173	2,252,062	279,111
Cultural and recreational	316,104	316,104	306,520	9,584
Intergovernmental:				
Education	2,435,500	2,587,600	2,586,600	1,000
Debt service:				
Principal retirement	913,850	882,217	882,217	-
Interest and other charges	446,857	368,233	368,231	2
Total expenditures	<u>10,380,132</u>	<u>10,861,484</u>	<u>10,218,497</u>	<u>642,987</u>
Revenues over (under) expenditures	<u>(61,759)</u>	<u>(41,103)</u>	<u>593,938</u>	<u>635,041</u>
Other financing sources (uses):				
Transfer from other funds	46,013	97,613	97,613	-
Transfers to other funds	(45,355)	(155,612)	(155,612)	-
Transfers from component unit	1,600	1,600	1,500	(100)
Sale of assets	9,501	9,501	5,700	(3,801)
Total other financing sources (uses)	<u>11,759</u>	<u>(46,898)</u>	<u>(50,799)</u>	<u>(3,901)</u>
Fund balance appropriated	<u>50,000</u>	<u>88,001</u>	<u>-</u>	<u>(88,001)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>543,139</u>	<u>\$ 543,139</u>
Fund balances:				
Beginning of year			<u>2,073,215</u>	
End of year			<u>\$ 2,616,354</u>	

Gates County, North Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2008

Exhibit 6

	Enterprise Funds		
	Landfill Fund	Water Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 40,330	\$ 1,557,419	\$ 1,597,749
Receivables, net	137,240	78,155	215,395
Inventories	-	16,487	16,487
Total current assets	<u>177,570</u>	<u>1,652,061</u>	<u>1,829,631</u>
Capital assets:			
Land, improvements, and construction in progress	-	27,476	27,476
Other capital assets, net of depreciation	-	5,485,079	5,485,079
Total capital assets	-	<u>5,512,555</u>	<u>5,512,555</u>
Total assets	<u>\$ 177,570</u>	<u>\$ 7,164,616</u>	<u>\$ 7,342,186</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 68,288	\$ 10,850	\$ 79,138
General obligation bonds payable	-	130,427	130,427
Total current liabilities	<u>68,288</u>	<u>141,277</u>	<u>209,565</u>
Noncurrent liabilities:			
Compensated absences	-	15,162	15,162
General obligation bonds payable	-	1,114,622	1,114,622
Total noncurrent liabilities	-	<u>1,129,784</u>	<u>1,129,784</u>
Total liabilities	<u>68,288</u>	<u>1,271,061</u>	<u>1,339,349</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	4,267,506	4,267,506
Unrestricted	109,282	1,626,049	1,735,331
Total net assets	<u>\$ 109,282</u>	<u>\$ 5,893,555</u>	<u>\$ 6,002,837</u>

Gates County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

For the Year Ended June 30, 2008

Exhibit 7

	Enterprise Funds		
	Landfill Fund	Water Fund	Total
OPERATING REVENUES			
Charges for services	\$ 742,309	\$ 715,357	\$ 1,457,666
Water and sewer taps	-	47,650	47,650
Miscellaneous	-	2,930	2,930
Total operating revenues	<u>742,309</u>	<u>765,937</u>	<u>1,508,246</u>
OPERATING EXPENSES			
Administration	-	156,012	156,012
Water treatment, pump station and distribution	-	406,738	406,738
Landfill operations	696,967	-	696,967
Depreciation	-	214,870	214,870
Total operating expenses	<u>696,967</u>	<u>777,620</u>	<u>1,474,587</u>
Operating income (loss)	<u>45,342</u>	<u>(11,683)</u>	<u>33,659</u>
NONOPERATING REVENUES (EXPENSES)			
Tax revenues	23,418	8,751	32,169
Interest and investment revenue	915	33,438	34,353
Interest expense	-	(65,993)	(65,993)
Gain on sale of assets	-	1,450	1,450
Grants	-	48,000	48,000
Total nonoperating revenue (expenses)	<u>24,333</u>	<u>25,646</u>	<u>49,979</u>
Income before transfers	69,675	13,963	83,638
Transfers to other funds	(250)	(250)	(500)
Change in assets	69,425	13,713	83,138
Total net assets - beginning	<u>39,857</u>	<u>5,879,842</u>	<u>5,919,699</u>
Total net assets - ending	<u>\$ 109,282</u>	<u>\$ 5,893,555</u>	<u>\$ 6,002,837</u>

Gates County, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008

Exhibit 8

	Landfill Fund	Water Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 746,660	\$ 756,109	\$ 1,502,769
Cash paid for goods and services	(760,191)	(388,280)	(1,148,471)
Cash paid to employees for services	-	(192,244)	(192,244)
Other operating revenue	-	2,930	2,930
Net cash provided (used) by operating activities	(13,531)	178,515	164,984
Cash flows from capital and related financing activities:			
Proceeds from sale of assets	-	1,450	1,450
Acquisition and construction of capital assets	-	(77,950)	(77,950)
Principal paid on bond maturities and equipment contracts	-	(124,227)	(124,227)
Interest paid on bond maturities and equipment contracts	-	(65,993)	(65,993)
Net cash used by capital and related financing activities	-	(266,720)	(266,720)
Cash flows from noncapital and related financing activities:			
Grants	-	48,000	48,000
Tax revenues	23,418	8,751	32,169
Operating transfers out	(250)	(250)	(500)
Loan payments other funds	-	919,194	919,194
Net cash provided (used) by noncapital and related financing activities	23,168	975,695	998,863
Cash flows from investing activities:			
Interest on investments	915	33,438	34,353
Net increase (decrease) in cash and cash equivalents	10,552	920,928	931,480
Cash and cash equivalents, beginning	29,778	636,491	666,269
Cash and cash equivalents, ending	\$ 40,330	\$ 1,557,419	\$ 1,597,749

(continued)

Gates County, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008

Exhibit 8
(continued)

	Landfill Fund	Water Fund	Totals June 30, 2008
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 45,342	(\$ 11,683)	\$ 33,659
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		214,870	214,870
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	4,351	(6,898)	(2,547)
(Increase) decrease in inventory	-	3,361	3,361
Increase (decrease) in accounts payable and accrued liabilities	(63,224)	(17,698)	(80,922)
Increase(decrease) in accrued vacation pay	-	(3,437)	(3,437)
Total adjustments	(58,873)	190,198	131,325
Net cash provided (used) by operating activities	(\$ 13,531)	\$ 178,515	\$ 164,984

Gates County, North Carolina
Statement of Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2008

Exhibit 9

	<u>Agency Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ <u>96,609</u>
<u>Liabilities and Net Assets</u>	
Liabilities:	
Miscellaneous liabilities	\$ <u>96,609</u>

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Gates County and its component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is 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 generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The Gates County ABC Board, which has a June 30 year-end, is presented as if it is a separate proprietary fund of the County (discrete presentation).

Gates County ABC Board

The members of the ABC Board's governing board are appointed by the County. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County.

Complete financial statements for the component unit may be obtained at the administrative office of the entity.

Gates County Board of Alcoholic Control
Sunbury, NC 27979

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. 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.

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

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. Nonoperating revenues, such as subsidies, result from non-exchange transactions. Other nonoperating revenues are ancillary activities such as investment earnings.

The County reported the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

School Construction Fund. This fund accounts for installment purchase proceeds and the cost of school construction within the County.

The County reports the following non-major governmental funds:

Revaluation Fund Special Revenue Fund. This fund is used to accumulate funds for the County's tax revaluation.

Emergency Telephone System Special Revenue Fund. This fund is used to account for the fees charged to telephone customers to fund the 911 system.

Single Family Home Grant Project. This fund is used to account for grant funds that are restricted for use for a particular purpose.

Fire Protection Special Revenue Fund. This fund is used to accumulate fire district taxes and disburse taxes to fire districts.

Capital Reserve Fund. This fund is to accumulate funds for future projects within the County.

School Capital Reserve Fund. This fund is to accumulate funds for future Board of Education needs.

USDA Loan Reserve Fund. This fund is to accumulate funds for future building needs.

Community Center Project Fund. This fund is to accumulate funds for future community center projects.

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

The County reports the following major enterprise funds:

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

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

The County reports the following fund types:

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others.

The County maintains the following Agency Funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals and the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles.

C. Measurement Focus and 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 and Proprietary Fund Financial Statements. The government-wide and proprietary 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, 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 and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. 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 nonoperating revenues and expenses.

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

Governmental Fund Financial Statements. Governmental funds are reported using a 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 a 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 registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered 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 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, 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 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.

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Emergency Telephone, Fire Protection, Revaluation, Capital Reserve, School Capital Reserve, Single Family House Grant, Special Revenue Funds, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Grant Project Fund and the School Construction Fund, which is a capital projects fund type. 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 object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. 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

1. Deposits and Investments

All deposits of the County and Gates County ABC Board are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County and the ABC Board 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 and the ABC Board 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).

The County and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, 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 are reported at amortized cost. Non-participating interest earnings investment contracts are reported at cost.

2. Cash and Cash Equivalents

The County pools money 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. Gates County ABC Board considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Fund Equity (continued)

3. Restricted Assets

The unexpended loan proceeds of the County's School Construction Fund are classified as restricted assets because their use is completely restricted for the purpose for which the loan was originated.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1; however, penalties and interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2008.

5. 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.

6. Inventory

The inventories of the County and the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventory of the County's enterprise funds as well as those of the ABC Board consists of materials and supplies held for consumption. The cost of the inventory carried in the County's enterprise funds and that of the ABC Board is recorded as an expense as it is consumed.

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are as follows: land, \$2,500; buildings, improvements, substations, lines, and other plant and distribution systems, \$2,500; infrastructure, \$2,500; furniture and equipment, \$2,500; and vehicles, \$2,500. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and Improvement	40
Furniture and equipment	20
Vehicles	10

Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

	<u>Years</u>
Buildings and improvements	10-25
Furniture and equipment	3-25

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Fund Equity (continued)

8. Long-term Obligations

In the government-wide financial statements and in the 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 statements of net assets.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as another financing source.

9. Compensated Absences

The vacation policies of the County and the ABC Board provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County and the ABC Board provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes.

Since none of the entities have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component unit.

10. 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 a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Fund Equity (continued)

10. Net Assets (continued)

The governmental fund types classify fund balances as follows:

Reserved

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables that are not offset by deferred revenues.

Unreserved

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2008-2009 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end

F. Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. The net adjustment of (\$7,401,541) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 4,810,380
Less accumulated depreciation	(1,882,437)
Net capital assets	2,927,943
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	618,706
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(10,751,443)
Compensated absences	(196,747)
Total adjustment	(\$ 7,401,541)

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Reconciliation of Government-wide and Fund Financial Statements (continued)

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$993,671 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 240,886
Cost of disposed capital assets not recorded on fund statements	(447)
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(198,911)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets	(1,884,920)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	887,896
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	18,040
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Reversal of deferred tax revenue recorded at 7/1/07	(674,921)
Recording of tax receipts deferred in the fund statements as of 6/30/08	<u>618,706</u>
Total adjustment	<u>\$ 993,671</u>

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Significant Violations of Finance – Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

In accordance with G.S. 159.29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are bonded for \$10,000 each. This amount does not meet the minimum \$50,000 requirement. We also saw no evidence that the remaining employees that have access to funds are bonded under a blanket bond.

Corrective action plan: The County will secure proper bonding for employees that have access to funds.

In accordance with Article 3 of Chapter 62A, a State 911 Board was established. Under this Statute, the County should have transferred unspent local 911 wireless fees held by the County to the General Fund. This transfer was not made.

Corrective Action Plan: The County will compute unspent local fees and transfer to the General Fund.

B. Deficit Fund Balance

The Single Family Home Project Fund has a deficit fund balance of \$5,209 at June 30, 2008. This will be remedied in the next fiscal year with grant proceeds.

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the County's and the ABC Board'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 or the ABC Board's agents in these units' names. 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 and the ABC Board, these deposits are considered to be held by their agents in the entities' names. 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 the ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the ABC Board under the Pooling Method, the potential exists for under-collateralization, 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 County has no policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly insured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2008, the County's deposits had a carrying amount of \$9,257,844 and a bank balance of \$9,485,109. Of the bank balance, \$200,000 was covered by federal depository insurance and \$9,285,109 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2008, the carrying amount of deposits for Gates County ABC Board was \$129,675 and the bank balance was \$132,815. All of the bank balance was covered by federal depository insurance.

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

2. Investments

At June 30, 2008, the County's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
North Carolina Capital Management Trust			
Cash portfolio	\$ 859,900	N/A	AAAm
Term portfolio	533,193	0.9 years	Unrated
Total investments	<u>\$ 1,393,093</u>		

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

Credit Risk. The County has no formal policy regarding credit risk. The County's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2008. 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 U.S. government and 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 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 accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>General Fund</u>		<u>Total</u>
	<u>Tax</u>	<u>Interest</u>	
2004	\$ 244,770	\$ 63,640	\$ 308,410
2005	245,127	58,830	303,957
2006	246,325	36,949	283,274
2007	246,840	14,810	261,650
Total	<u>\$ 983,062</u>	<u>\$ 174,229</u>	<u>\$ 1,157,291</u>

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

4. Receivables

Receivables at the government-wide level at June 30, 2008, were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 153,930	\$ 720,206	\$ 547,201	\$ 1,421,337
Other Governmental	15,128	-	-	15,128
Total receivables	<u>169,058</u>	<u>720,206</u>	<u>547,201</u>	<u>1,436,465</u>
Allowance for doubtful accounts	-	(101,500)	-	(101,500)
Total - governmental activities	<u>\$ 169,058</u>	<u>\$ 618,706</u>	<u>\$ 547,201</u>	<u>\$ 1,334,965</u>
Business-type Activities:				
Landfill	\$ 137,240	-	-	\$ 137,240
Water and Sewer	96,663	-	-	96,663
Total receivables	<u>223,903</u>	<u>-</u>	<u>-</u>	<u>233,903</u>
Allowances for doubtful accounts	(18,508)	-	-	(18,508)
Total - business-type activities	<u>\$ 215,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,395</u>

The due from other governments that is owed to the County consists of the following:

Local option sales tax	\$ 547,201
White goods disposal tax	5,037
Scrap tire tax	668
Total	<u>\$ 552,906</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 290,237	-	-	\$ 290,237
Construction in progress	1,694,328	14,067	1,708,395	-
Total capital assets not being depreciated	<u>1,984,565</u>	<u>14,067</u>	<u>1,708,395</u>	<u>290,237</u>
Capital assets being depreciated:				
Buildings	1,606,980	1,708,395	-	3,315,375
Other improvements	57,585	-	-	57,585
Equipment	341,920	19,206	-	361,126
Vehicles and motorized equipment	632,656	207,613	54,212	786,057
Total capital assets being depreciated	<u>2,639,141</u>	<u>1,935,214</u>	<u>54,212</u>	<u>4,520,143</u>
Less accumulated depreciation for:				
Buildings	1,140,655	73,350	-	1,214,005
Other improvements	17,934	3,573	-	21,507
Equipment	170,919	25,178	-	196,097
Vehicles and motorized equipment	407,784	96,810	53,765	450,829
Total accumulated depreciation	<u>1,737,292</u>	<u>\$ 198,911</u>	<u>\$ 53,765</u>	<u>1,882,438</u>
Total capital assets being depreciated, net	<u>901,849</u>			<u>2,637,705</u>
Governmental activity capital assets, net	<u>\$ 2,886,414</u>			<u>\$ 2,927,942</u>

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

Primary Government

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

General government	\$ 36,015
Public safety	45,595
Human services	42,548
Economic and physical development	61,753
Cultural and recreational	<u>13,000</u>
Total depreciation expense	<u>\$ 198,911</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Water Fund				
Capital assets not being depreciated:				
Land	\$ 27,476	\$ -	\$ -	\$ 27,476
Capital assets being depreciated:				
Plant and distribution systems	9,072,355	-	-	9,072,355
Furniture & maintenance equipment	342,818	51,368	-	394,186
Vehicles	<u>169,398</u>	<u>26,581</u>	<u>15,227</u>	<u>180,752</u>
Total capital assets being depreciated	<u>9,584,571</u>	<u>77,949</u>	<u>15,227</u>	<u>9,647,293</u>
Less accumulated depreciation for:				
Plant and distribution systems	3,656,144	181,447	-	3,837,591
Furniture & maintenance equipment	199,283	20,366	-	219,649
Vehicles	<u>107,144</u>	<u>13,057</u>	<u>15,227</u>	<u>104,974</u>
Total accumulated depreciation	<u>3,962,571</u>	<u>\$ 214,870</u>	<u>\$ 15,227</u>	<u>4,162,214</u>
Total capital assets being depreciated, net	<u>5,622,000</u>			<u>5,485,079</u>
Water Fund capital assets, net	<u>\$ 5,649,476</u>			<u>\$ 5,512,555</u>

Construction commitments

The government has active construction projects as of June 30, 2008. These projects include the Grant Project Fund and the DSS Construction Project. At June 30, 2008, the governments commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
School construction fund	<u>\$ 1,480,649</u>	<u>\$ 5,019,351</u>

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

Discretely presented component units

Activity for the ABC Board for the year ended June 30, 2008, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 4,345	\$ -	\$ -	\$ 4,345
Capital assets being depreciated:				
Buildings and improvements	57,789	-	-	57,789
Furniture, fixtures and equipment	<u>44,483</u>	<u>-</u>	<u>-</u>	<u>44,483</u>
Total capital assets being depreciated	<u>106,617</u>	<u>-</u>	<u>-</u>	<u>106,617</u>
Less accumulated depreciation for:				
Buildings and Improvements	54,162	234	-	54,396
Furniture, fixtures and equipment	<u>33,158</u>	<u>3,181</u>	<u>-</u>	<u>36,339</u>
Total accumulated depreciation	<u>87,320</u>	<u>\$ 3,415</u>	<u>\$ -</u>	<u>90,735</u>
ABC capital assets, net	<u>\$ 19,297</u>			<u>\$ 15,882</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2008, were as follows:

	<u>Vendors</u>
Governmental Activities:	
General	\$ 156,430
Other Governmental	<u>225,363</u>
Total - governmental activities	<u>\$ 381,793</u>
Business-type Activities:	
Landfill	\$ 68,288
Water	<u>10,850</u>
Total - business-type activities	<u>\$ 79,138</u>

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. Gates County and the ABC Board contribute to the statewide 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 Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are 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 4.93% and 4.86%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 5.19% of annual covered payroll. The contribution requirements of members and of Gates County and the ABC Board are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2008, 2007 and 2006 were \$105,382, \$93,161 and \$88,948, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2008, 2007 and 2006 were \$1,877, \$1,951 and \$1,793, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

1. *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, 2008, the Separation Allowance's membership consisted of:

Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	9
Total	<u>9</u>

A separate report was not issued for the plan.

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

2. Summary of Significant Accounting Policies:

Basis of Accounting. Gates 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.

c. 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.

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, 2008 were \$20,074, which consisted of \$18,089 from the County and \$1,985 from the law enforcement officers.

d. Registers of Deeds' Supplemental Pension Fund

Plan Description. Gates County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, 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.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) 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, 2008, the County's required and actual contributions were \$1,136.

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Pension Plan Obligations (continued)

e. Other Post-employment Benefits

According to a County resolution, the County provides post-retirement health care benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the County. The County pays the full cost of coverage for these benefits. Also, the County's retirees can purchase coverage for their dependents at the County's group rates. Currently 3 retirees are eligible for post-retirement health benefits.

For the fiscal year ended June 30, 2008, the County made payments for post-retirement health benefit premiums of \$22,422. The County obtains health care coverage through private insurers.

The County has also 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. 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 immaterial.

3. Deferred / Unearned Revenues

The balance in deferred or unearned revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	Unearned or Deferred Revenue	Full Accrual Unearned Revenue
Prepaid taxes not yet earned (General)	\$ -	\$ 36,021
Taxes receivable, net (General)	618,706	-
Total	\$ 618,706	\$ 36,021

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

4. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million for any one occurrence, general liability coverage of \$2 million per occurrence, and workers' compensation coverage up to the statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$500,000 up to a \$2 million limit for general liability coverage, \$500,000 of aggregate annual losses in excess of \$25,000 per occurrence for property coverage, and single occurrence losses of \$350,000 for workers' compensation.

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

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are individually bonded for \$10,000 each.

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

Gates County 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.

5. Long-Term Obligations

a. Installment Purchase

Serviced by Water Fund

As authorized by State law (G.S. 160A-20 and 153A-158.1), the County entered into a note agreement for financing the expansion of the County water treatment plant, construction of a new water storage tank, and the construction and extension of water mains and lines.

The installment purchase was executed on June 12, 2001 with an annual interest rate of 4.93% and is secured by a deed of trust. The transaction requires thirty semiannual payments of principal and interest in the amount of \$95,110 each.

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

5. Long-Term Obligations (continued)

a. Installment Purchase (continued)

Serviced by General Fund

\$6,000,000 installment purchase loan secured by deed of trust on Gates County High School property was refinanced July 30, 2003 and an additional \$600,000 was borrowed for additional classrooms. The new loan calls for semi-annual installments of \$281,363.11 including interest at 3.65% through July 30, 2013.

On January 13, 2006, the County entered into an installment purchase obligation for the purchase of automated equipment for the Register of Deeds department. The obligation calls for 5 annual installments of \$6,752 with interest at 4.42%. The obligation matures January 2011.

On March 21, 2007, the County entered into an \$6,500,000 installment purchase obligation for school construction. The loan calls for 30 semi-annual principal payments of \$216,666.67 plus interest at 3.98%.

On September 20, 2007, the County entered into an installment purchase obligation secured by their DSS building. The loan calls for 30 annual installments of \$ 83,440 including interest at 4.25%.

On September 20, 2007, the County entered into an installment purchase obligation secured by their DSS building. The loan calls for 30 annual installments of \$28,902 including interest at 4.25%.

For Gates County, the future minimum payments as of June 30, 2007, including \$3,551,148 of interest, for governmental activities and \$276,709 of interest in business type activities are:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 936,910	\$ 415,381	\$ 130,427	\$ 59,793
2010	955,685	379,360	136,936	53,284
2011	975,161	342,637	143,770	46,449
2012	988,612	305,187	150,946	39,274
2013	1,009,272	267,281	158,479	31,741
2014-2018	2,659,009	932,785	524,491	46,168
2019-2023	1,999,332	450,911	-	-
2024-2028	327,536	234,153	-	-
2029-2033	403,311	158,379	-	-
2034-2038	496,615	65,074	-	-
Total	<u>\$ 10,751,443</u>	<u>\$ 3,551,148</u>	<u>\$ 1,245,049</u>	<u>\$ 276,709</u>

At June 30, 2008, Gates County, North Carolina had a legal debt margin of \$33,699,055.

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

6. Long-Term Obligations (continued)

b. 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, 2008:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008	Current Portion of Balance
Governmental activities:					
Installment purchase obligations	\$ 9,754,419	\$ 1,884,920	\$ 887,896	\$ 10,751,443	\$ 936,910
Compensated absences	214,787	-	18,040	196,747	-
Total governmental activities	<u>\$ 9,969,206</u>	<u>\$ 1,884,920</u>	<u>\$ 905,936</u>	<u>\$ 10,948,190</u>	<u>\$ 936,910</u>
Business-type activities:					
Installment purchase obligation	\$ 1,369,276	-	\$ 124,227	\$ 1,245,049	\$ 130,427
Compensated absences	18,599	-	3,437	15,162	-
Total business-type activities	<u>\$ 1,387,875</u>	<u>\$ -</u>	<u>\$ 127,664</u>	<u>\$ 1,260,211</u>	<u>\$ 130,427</u>

Compensated absences typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employers are taking time as it is earned.

C. Inter-fund Balances and Activity

Transfers to/from other funds

Transfers to/from other funds at June 30, 2008 consists of the following:

From the School Capital Reserve Fund to the General Fund for operating expenses	\$ 45,513
From the General Fund to the Revaluation Fund to accumulate resources for the octennial revaluation of real property	45,355
From the Emergency Telephone System Fund to the General Fund for operating expenses	51,600
From the General Fund to the USDA Loan Reserve Fund in order to accumulate resources	110,257
From the Landfill Fund to the General fund for operating expenses	250
From the Water Fund to the General Fund for operating purposes	<u>250</u>
Total	<u>\$ 253,225</u>

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 4 – JOINT VENTURES

The County also participated in a joint venture to operate Perquimans Chowan Gates Regional Landfill with two other counties. Each participating government appoints their county manager and two commissioners 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 22% of the site's operating cost and 33% of any capital outlay required.

In accordance with the intergovernmental agreement between the participating governments, the County paid \$674,216 for operating costs. The PPCC District Health Department acts as fiscal agent for the landfill.

The County also participates in a joint venture to operate Albemarle Regional Library which serves a four county district. Gates County appoints three members to the ten member district library board. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2008. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$89,659 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, NC 27986.

The County also participated 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, 2008. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$104,687 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 Post Office Box 189, Elizabeth City, North Carolina 27909.

The County also participates in a joint venture to operate Roanoke-Chowan Human Services Center that serves a four county mental health district. Gates County appoints four members to the twenty-four member board of the mental health district. The County has an ongoing financial responsibility for the joint venture because the center's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the center so no equity interest has been reflected in the financial statements at June 30, 2008. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$37,734 to the center to supplement its activities. Complete financial statements for the center can be obtained from the center's office at Route 3, Box 22-A, Ahoskie, NC 27910.

Gates County, North Carolina
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 5 – JOINTLY GOVERNED ORGANIZATION

The County, in conjunction with nine other counties and sixteen municipalities, established Albemarle Commission. The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints four members and each participating municipality appoints two members to the Commission's governing board. The County paid membership fees of \$1,969 to the Commission during the fiscal year ended June 30, 2008.

NOTE 6 – BENEFIT PAYMENTS ISSUED BY THE STATE

The amounts listed below were paid directly to individual recipients by the State from federal and State moneys. 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.

	Federal	State
Medicaid	\$ 6,705,741	\$ 3,502,257
Food Stamp Program	1,247,610	-
TANF	92,852	-
Domiciliary Care	-	91,045
Energy Assistance	21,541	-
Title IV-E	1,028	-
State Foster Care	-	120
	\$ 8,068,772	\$ 3,593,422

NOTE 7 – SUMMARY DISCLOSURE OF SIGNIFICANT 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 moneys 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 moneys.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Gates County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

Revenues:	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Ad valorem taxes:			
Taxes	\$	\$ 5,328,980	\$
Penalties and interest		88,462	
Total	<u>5,498,107</u>	<u>5,417,442</u>	<u>(80,665)</u>
Local option sales taxes:			
Article 39		368,253	
Article 40 one - half of one percent		679,204	
Article 42 one - half of one percent		677,995	
Article 44		360,104	
Medicaid Hold Harmless		410,336	
Total	<u>2,030,032</u>	<u>2,495,892</u>	<u>465,860</u>
Other taxes and licenses:			
Tax refunds		37,613	
Deed stamp excise tax		39,857	
Privilege licenses		30	
Total	<u>56,600</u>	<u>77,500</u>	<u>20,900</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes		14,572	
Beer and wine tax		52,085	
Cable franchise fees		2,594	
Total	<u>65,300</u>	<u>69,251</u>	<u>3,951</u>
Restricted intergovernmental:			
Department of Transportation		239,944	
Support our students		51,170	
School age child care		32,767	
New Choices		4,643	
Divorce fees		50,984	
ROAP		109,351	
Genesis		30,592	
Smart Start		34,000	
HCCBG grant		21,631	
HAVA grant		2,178	
Making a job		3,337	
Public School Building Capital Fund		152,100	
Baby Love grant		47,415	
Lottery Proceeds		182,960	
School Resource Office		28,016	
Juvenile Crime Prevention		29,464	
Social service grants		807,230	
Soil conservation grant		25,205	
Day care grants		411,451	
Emergency Management		16,053	
Court facilities fees		25,062	
ABC bottle tax		1,860	
Other federal and state grants		43,260	
Total	<u>2,742,961</u>	<u>2,350,673</u>	<u>(392,288)</u>

Gates County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Permits and fees:			
Building permits	106,250	114,341	
Register of deeds	67,700	55,806	
Total	<u>173,950</u>	<u>170,147</u>	<u>(3,803)</u>
Sales and services:			
Transportation fares		27,439	
Rents, concessions, and fees		37,932	
Jail fees		28,831	
Total	<u>110,225</u>	<u>94,202</u>	<u>(16,023)</u>
Investment earnings	<u>43,600</u>	<u>54,346</u>	<u>10,746</u>
Miscellaneous:			
Administrative expense reimbursement		65,015	
Insurance reimbursement		7,299	
Other		10,668	
Total	<u>99,606</u>	<u>82,982</u>	<u>(16,624)</u>
Total revenues	<u>10,820,381</u>	<u>10,812,435</u>	<u>(7,946)</u>
 <u>Expenditures:</u>			
General government:			
Governing body:			
Salaries and employee benefits		41,108	
Operating expenses		100,319	
Capital outlay		27,592	
Total	<u>161,113</u>	<u>169,019</u>	<u>(7,906)</u>
Administration:			
Salaries and employee benefits		188,964	
Operating expenses		40,661	
Total	<u>233,476</u>	<u>229,625</u>	<u>3,851</u>
Elections:			
Salaries and employee benefits		45,897	
Operating expenses		50,470	
Capital outlay		4,762	
Total	<u>120,638</u>	<u>101,129</u>	<u>19,509</u>
Taxes:			
Salaries and employee benefits		176,448	
Operating expenses		65,582	
Total	<u>267,230</u>	<u>242,030</u>	<u>25,200</u>

Gates County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Budget	Actual	Variance Positive (Negative)
Legal:			
Contracted services	14,000	13,510	490
Register of deeds:			
Salaries and employee benefits		85,631	
Operating expenses		35,666	
Capital outlay		4,203	
Total	125,924	125,500	424
Public buildings:			
Salaries and employee benefits		98,875	
Operating expenses		240,243	
Total	401,241	339,118	62,123
Court facilities:			
Operating expenses	30,921	24,242	6,679
Total general government	1,354,543	1,244,173	110,370
Public safety:			
Sheriff and communications:			
Salaries and employee benefits		725,512	
Operating expenses		137,187	
Capital outlay		60,890	
Total	857,820	923,589	(65,769)
Jail:			
Other operating expenditures	350,000	206,216	143,784
Emergency management:			
Operating expenses	59,520	52,438	7,082
Fire:			
Forest fire protection	57,650	52,031	5,619
Rescue squad:			
Allocation	12,000	6,000	6,000
Building inspector:			
Salaries and employee benefits		198,032	
Operating expenses		19,866	
Capital outlay		15,449	
Total	219,402	233,347	(13,945)
Medical examiner:			
Professional services	4,000	1,700	2,300
Animal control:			
Operating expenses	66,692	60,145	6,547
Total public safety	1,627,084	1,535,466	91,618

Gates County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Economic and physical development:			
Agricultural extension:			
Salaries and employee benefits		118,766	
Operating expenses		<u>19,433</u>	
Total	<u>148,439</u>	<u>138,199</u>	<u>10,240</u>
Soil and water conservation:			
Salaries and employee benefits		80,353	
Operating expenses		<u>4,799</u>	
Total	<u>85,424</u>	<u>85,152</u>	<u>272</u>
Zoning:			
Salaries and employee benefits		1,715	
Operating expenses		<u>18,136</u>	
Total	<u>53,229</u>	<u>19,851</u>	<u>33,378</u>
Albemarle Commission	<u>1,969</u>	<u>1,969</u>	<u>-</u>
Cooperative Extension Service:			
Support our Students		69,979	
Genesis		33,100	
New Choices		4,311	
School Age Child Care		20,081	
Life smarts		920	
Making a job		31	
Work Experience Grant		2,077	
Divorce filing fee		31,061	
Gang Grant		13,824	
4-H Program		32,978	
Baby Love Grant		37,463	
SHIIP Grant		1,506	
Workforce Youth Development		462	
Science Camp		<u>11,206</u>	
Total	<u>344,537</u>	<u>258,999</u>	<u>85,538</u>
GITS:			
Salaries and employee benefits		234,171	
Operating expenses		165,613	
Capital outlay		<u>139,274</u>	
Total	<u>560,932</u>	<u>539,058</u>	<u>21,874</u>
Total economic and physical development	<u>1,194,530</u>	<u>1,043,228</u>	<u>151,302</u>

Gates County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Human services:			
Health:			
Administration:			
County's share - Albemarle			
Regional Health Services	105,500	104,687	
Contribution - Roanoke Chowan			
Mental Health Center	39,434	37,587	
Albemarle Hopeline	1,000	1,000	
Mosquito control	12,000	12,000	
Total	<u>157,934</u>	<u>155,274</u>	<u>2,660</u>
Social services:			
Administration:			
Salaries and employee benefits		879,574	
Other operating expenditures		59,014	
Total	<u>931,369</u>	<u>938,588</u>	<u>(7,219)</u>
Special assistance for adults:			
County participation	<u>117,881</u>	<u>92,391</u>	<u>25,490</u>
Medicaid:			
County participation	<u>681,709</u>	<u>520,273</u>	<u>161,436</u>
Special social services:			
Food stamp program		2,731	
Day care		410,103	
Crisis intervention		30,450	
N. C. Blind Commission		1,066	
Domestic Violence		7,632	
Work First		21,591	
CPS & Independent living		14,893	
Others		7,343	
Total	<u>553,303</u>	<u>495,809</u>	<u>57,494</u>
Total social services	<u>2,284,262</u>	<u>2,047,061</u>	<u>237,201</u>
Special appropriations:			
Veterans service		4,000	
Juvenile Crime Prevention		29,464	
Others		16,263	
Total special appropriations	<u>88,977</u>	<u>49,727</u>	<u>39,250</u>
Total human services	<u>2,531,173</u>	<u>2,252,062</u>	<u>279,111</u>

Gates County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and recreational:			
Community Center:			
Salaries and employee benefits		19,365	
Operating expenses		<u>197,496</u>	
Total	<u>226,445</u>	<u>216,861</u>	<u>9,584</u>
Libraries:			
Operating expenses	<u>89,659</u>	<u>89,659</u>	<u>-</u>
Total culture and recreation	<u>316,104</u>	<u>306,520</u>	<u>9,584</u>
Education:			
Public schools - current		2,329,000	
Public schools - capital outlay		240,100	
Community Colleges		<u>17,500</u>	
Total education	<u>2,587,600</u>	<u>2,586,600</u>	<u>1,000</u>
Debt service:			
Principal retirement		882,217	
Interest and other charges		<u>368,231</u>	
Total debt service	<u>1,250,450</u>	<u>1,250,448</u>	<u>2</u>
Total expenditures	<u>10,861,484</u>	<u>10,218,497</u>	<u>642,987</u>
Revenues over (under) expenditures	<u>(41,103)</u>	<u>593,938</u>	<u>635,041</u>
Other financing sources (uses):			
Transfers to other funds:			
Special Revenue Funds	(155,612)	(155,612)	-
Transfer from other funds:			
Enterprise Funds	500	500	-
Special revenue	97,113	97,113	-
Transfers from component unit:			
Gates County ABC Board			
Profit distribution	1,600	1,500	(100)
Sale of fixed assets	<u>9,501</u>	<u>5,700</u>	<u>(3,801)</u>
Total other financing sources (uses)	<u>(46,898)</u>	<u>(50,799)</u>	<u>(3,901)</u>
Appropriated Fund Balance	<u>88,001</u>	<u>-</u>	<u>(88,001)</u>
Total other financing sources (uses) and appropriated fund balance	<u>41,103</u>	<u>(50,799)</u>	<u>(91,902)</u>
Revenues and other financing sources and appropriated fund balance over expenditures and other financing uses	<u>\$ -</u>	<u>543,139</u>	<u>\$ 543,139</u>
Fund balances:			
Beginning of year, July 1		<u>2,073,215</u>	
End of year, June 30		<u>\$ 2,616,354</u>	

Gates County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

Special Revenue Funds

	<u>Revaluation Fund</u>	<u>Emergency Telephone System Fund</u>	<u>Fire Protection Fund</u>	<u>Community Center Project Fund</u>
ASSETS				
Cash and cash equivalents	\$ 75,967	\$ 387,006	\$ 13,265	\$ 597,680
Accounts receivable, net	<u>216</u>	<u>14,912</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 76,183</u>	<u>\$ 401,918</u>	<u>\$ 13,265</u>	<u>\$ 597,680</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	<u>-</u>	<u>1,800</u>	<u>12,097</u>	<u>1,641</u>
Total liabilities	<u>-</u>	<u>1,800</u>	<u>12,097</u>	<u>1,641</u>
Fund balances:				
Reserved by state statute	216	14,912	-	-
Unreserved	<u>75,967</u>	<u>385,206</u>	<u>1,168</u>	<u>596,039</u>
Total fund balances	<u>76,183</u>	<u>400,118</u>	<u>1,168</u>	<u>596,039</u>
Total liabilities and fund balances	<u>\$ 76,183</u>	<u>\$ 401,918</u>	<u>\$ 13,265</u>	<u>\$ 597,680</u>

Special Revenue Funds

<u>School Capital Reserve</u>	<u>USDA Loan Reserve Fund</u>	<u>Capital Reserve Fund</u>	<u>Single Family Home Grant Project</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 108,721	\$ 110,257	\$ 31,464	\$ -	\$ 1,324,360
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,128</u>
<u>\$ 108,721</u>	<u>\$ 110,257</u>	<u>\$ 31,464</u>	<u>\$ -</u>	<u>\$ 1,339,488</u>
\$ -	\$ -	\$ -	\$ 5,152	\$ 5,152
<u>-</u>	<u>-</u>	<u>-</u>	<u>57</u>	<u>15,595</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,209</u>	<u>20,747</u>
-	-	-	-	15,128
<u>108,721</u>	<u>110,257</u>	<u>31,464</u>	<u>(5,209)</u>	<u>1,303,613</u>
<u>108,721</u>	<u>110,257</u>	<u>31,464</u>	<u>(5,209)</u>	<u>1,318,741</u>
<u>\$ 108,721</u>	<u>\$ 110,257</u>	<u>\$ 31,464</u>	<u>\$ -</u>	<u>\$ 1,339,488</u>

Gates County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Funds			
	Revaluation Fund	Emergency Telephone System Fund	Fire Protection Fund	Community Center Project Fund
REVENUES				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ 624,624
Other taxes and licenses		147,595	218,868	-
Investment earnings	<u>2,433</u>	<u>8,156</u>	<u>1,177</u>	<u>343</u>
Total revenues	<u>2,433</u>	<u>155,751</u>	<u>220,045</u>	<u>624,967</u>
EXPENDITURES				
Current:				
General Government	97,695	-	-	-
Public safety	-	72,066	218,877	-
Economic and physical development	-	-	-	-
Culture and recreation	-	-	-	28,928
Human services	-	-	-	-
Total expenditures	<u>97,695</u>	<u>72,066</u>	<u>218,877</u>	<u>28,928</u>
Excess (deficiency) of revenues over expenditures	(95,262)	<u>83,685</u>	<u>1,168</u>	<u>596,039</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	45,355	-	-	-
Installment purchase proceeds	-	-	-	-
Transfers to other funds	-	(51,600)	-	-
Total other financing sources (uses)	<u>45,355</u>	<u>(51,600)</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses (49,907)	32,085	1,168	596,039
Fund balances - beginning	<u>126,090</u>	<u>368,033</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ 76,183</u>	<u>\$ 400,118</u>	<u>\$ 1,168</u>	<u>\$ 596,039</u>

Special Revenue Funds			Capital Project Funds			
USDA Loan Reserve Fund	School Capital Reserve	Capital Reserve Fund	Single Family Home Grant Project	Total Nonmajor Special Revenue Funds	DSS Construction Project	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 96,429	\$ 721,053	\$ -	\$ 721,053
-	-	-	-	366,463	-	366,463
-	3,217	656	-	15,982	-	15,982
-	3,217	656	96,429	1,103,498	-	1,103,498
-	-	-	-	97,695	-	97,695
-	-	-	-	290,943	-	290,943
-	-	-	93,955	93,955	-	93,955
-	-	-	-	28,928	-	28,928
-	-	-	-	-	14,067	14,067
-	-	-	93,955	511,521	14,067	525,588
-	3,217	656	2,474	591,977	(14,067)	577,910
110,257	-	-	-	155,612	-	155,612
-	-	-	-	-	1,884,920	1,884,920
-	(45,513)	-	-	(97,113)	-	(97,113)
110,257	(45,513)	-	-	58,499	1,884,920	1,943,419
110,257	(42,296)	656	2,474	650,476	1,870,853	2,521,329
-	151,017	30,808	(7,683)	668,265	(1,870,853)	(1,202,588)
\$ 110,257	\$ 108,721	\$ 31,464	(\$ 5,209)	\$ 1,318,741	\$ -	\$ 1,318,741

Gates County, North Carolina
Revaluation Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Investment earnings	\$ -	\$ 2,433	\$ 2,433
Expenditures	45,355	97,695	(52,340)
Revenues over (under) expenditures	(45,355)	(95,262)	(49,907)
Other financing sources:			
Operating transfer in:			
General Fund	45,355	45,355	-
Revenues and other sources over (under) expenditures	\$	(49,907)	(\$ 49,907)
Fund balances:			
Beginning of year, July 1		126,090	
End of year, June 30		\$ 76,183	

Gates County, North Carolina
Emergency Telephone System Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Other taxes and licenses	\$ 132,000	\$ 147,595	\$
Investment earnings	<u>8,000</u>	<u>8,156</u>	
Total revenues	140,000	155,751	15,751
Expenditures:			
Public safety	<u>140,000</u>	<u>72,066</u>	<u>67,934</u>
Revenues over expenditures	-	83,685	83,685
Other financing sources (uses)			
Operating transfer out – General Fund	(51,600)	(51,600)	-
Revenues over under expenditures and other uses	(51,600)	32,085	83,685
Appropriated fund balance	<u>51,600</u>	<u>-</u>	(51,600)
Revenues and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	32,085	<u>\$ 32,085</u>
Fund balances:			
Beginning of year, July 1		<u>368,033</u>	
End of year, June 30		<u>\$ 400,118</u>	

Gates County, North Carolina
Fire Protection Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Fire protection fees	\$	\$ 218,858	\$
Investment earnings		1,177	
Total revenues	<u>249,000</u>	<u>220,045</u>	<u>(28,955)</u>
Expenditures:			
Volunteer fire department	<u>249,000</u>	<u>218,877</u>	<u>30,123</u>
Revenues over expenditures	<u>\$ -</u>	1,168	<u>\$ 1,168</u>
Fund balances:			
Beginning of year, July 1		<u>-</u>	
End of year, June 30		<u>\$ 1,168</u>	

Gates County, North Carolina
Community Center Project
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	2008		Variance Favorable Unfavorable
	Budget	Actual	
Revenues:			
Restricted Intergovernmental			
Grant Golden Leaf Tobacco	\$ -	\$ 624,624	\$ 624,624
Investment earnings	-	343	343
Total revenues	-	624,967	624,967
Expenditures			
Cultural and Recreation			
Design	-	27,028	(27,028)
Construction Costs	-	1,900	(1,900)
Total expenditures	-	28,928	(28,928)
Revenues over expenditures	\$ -	596,039	\$ 596,039
Fund balances			
Beginning of year, July		-	
End of year, June 30		\$ 596,039	

Gates County, North Carolina
USDA Loan Reserve Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues	\$ -	\$ -	\$ -
Expenditures	-	-	-
Revenues over expenditures	-	-	-
Other financing sources):			
Operating transfers	-	110,257	110,257
Revenues and other sources over expenditures	<u>\$ -</u>	110,257	<u>110,257</u>
Fund balances:			
Beginning of year, July 1		-	
End of Year, June 30		<u>\$ 110,257</u>	

Gates County, North Carolina
School Capital Reserve Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Investment earnings	\$	\$ 3,217	\$ 3,217
Expenditures:	-	-	-
Revenues over (under) expenditures	-	3,217	3,217
Other financing sources (uses):			
Operating transfers to General Fund	-	(45,513)	(45,513)
Revenues and other sources over (under) expenditures	\$ -	(42,296)	(\$ 42,296)
Fund balances:			
Beginning of year, July 1		151,017	
End of Year, June 30		<u>\$ 108,721</u>	

Gates County, North Carolina
Capital Reserve Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	2008		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Investment earnings	\$ -	\$ 656	\$ 656
Expenditures:			
Operating expenditures	-	-	-
Revenues over expenditures	<u>\$ -</u>	<u>656</u>	<u>\$ 656</u>
Fund balances:			
Beginning of year, July 1		<u>30,808</u>	
End of Year, June 30		<u>\$ 31,464</u>	

Gates County, North Carolina
Single Family Home Project Grant
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted Intergovernmental	\$ 200,000	\$ 3,033	\$ 96,429	\$ 99,462	(\$ 100,538)
Expenditures:					
Economic and physical development					
Program Cost	23,800	5,116	52,110	57,226	(33,426)
Relocation	2,000	-	13,000	13,000	(11,000)
Rehabilitation	158,400	-	26,110	26,110	132,290
Administration	<u>15,800</u>	<u>5,600</u>	<u>2,735</u>	<u>8,335</u>	<u>7,465</u>
Total Expenditures	200,000	10,716	93,955	104,671	95,329
Revenues over expenditures	<u>\$ -</u>	<u>\$ 7,683</u>	2,474	<u>(\$ 5,209)</u>	<u>(\$ 5,209)</u>
Fund balances:					
Beginning of year, July 1			(<u>7,683</u>)		
End of year, June 30			(<u>5,209</u>)		

Gates County, North Carolina
DSS Construction Project
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2008

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Expenditures:					
Legal expense	\$ 1,000	\$ -	\$ 9,753	\$ 9,753	(\$ 8,753)
Architectural design	118,608	128,307	-	128,307	(9,699)
Land purchase	194,500	192,500	-	192,500	2,000
Construction costs	1,482,993	1,476,209	3,591	1,479,800	3,193
Equipment	19,674	19,591	-	19,591	83
Other engineering fees	8,500	8,499	-	8,499	1
Furnishings	46,000	45,747	723	46,470	(470)
Contingency	<u>28,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,725</u>
Total expenditures	<u>1,900,000</u>	<u>1,870,853</u>	<u>14,067</u>	<u>1,884,920</u>	<u>15,80</u>
Revenues under expenditures					
Other financing sources:					
Installment purchase proceeds	<u>1,900,000</u>	<u>-</u>	<u>1,884,920</u>	<u>-</u>	<u>(15,080)</u>
Net change in fund balance	<u>\$ -</u>	<u>(\$1,870,853)</u>	<u>1,870,853</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance - beginning			<u>(1,870,853)</u>		
Fund balance - ending			<u>\$ -</u>		

Gates County, North Carolina
School Construction Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2008

	Project Author- ization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Investment earnings	\$ _____	\$ 85,884	\$ 214,943	\$ 300,827	\$ 300,827
Total Revenues					
Expenditures:					
Legal expense	12,275	12,275	-	12,275	-
Financing fees	3,700	3,700	-	3,700	-
Construction costs	<u>6,484,025</u>	<u>-</u>	<u>1,464,674</u>	<u>1,464,674</u>	<u>5,019,351</u>
Total Expenditures	<u>6,500,000</u>	<u>15,975</u>	<u>1,464,674</u>	<u>1,480,649</u>	<u>5,019,351</u>
Revenues over (under) expenditures	(6,500,000)	69,909	(1,249,731)	(1,179,822)	5,320,178
Other financing sources:					
Installment purchase proceeds	<u>6,500,000</u>	<u>6,500,000</u>	<u>-</u>	<u>6,500,000</u>	<u>-</u>
Net change in fund balance	<u>\$ _____ -</u>	<u>\$ 6,569,909</u>	<u>(1,249,731)</u>	<u>\$ 5,320,178</u>	<u>\$ 5,320,178</u>
Fund balance – beginning			<u>6,569,909</u>		
Fund balance – ending			<u>\$ 5,320,178</u>		

Gates County, North Carolina
Landfill Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues:			
Charges for services:			
Solid Waste charges	\$ 741,600	\$ 742,309	\$ 609
Nonoperating revenues:			
Interest earnings	-	915	915
Scrap Tire revenues	13,000	10,256	(2,744)
White goods	5,500	13,162	7,662
Total revenues	<u>760,100</u>	<u>766,642</u>	<u>6,542</u>
Expenditures:			
Landfill operations:			
Operating expenditures	<u>773,236</u>	<u>696,967</u>	<u>76,269</u>
Revenues over (under) expenditures	(13,136)	69,675	82,811
Other financing sources (uses)			
Transfer to General Fund	(250)	(250)	-
Revenues over (under) expenditures and other uses	(13,386)	69,425	82,811
Appropriated net assets	<u>13,386</u>	-	(13,386)
Revenues and appropriated net assets over (under) expenditures and other uses	<u>\$ -</u>	69,425	<u>\$ 69,425</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items			
Change in net assets		<u>\$ 69,425</u>	

Gates County, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2008

	2008		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating revenues			
Water sales	\$	\$ 715,357	\$
Water taps and connection fees		47,650	
Miscellaneous		2,930	
Total	<u>795,000</u>	<u>765,937</u>	<u>(29,063)</u>
Nonoperating revenues:			
Grants		48,000	
Sale of equipment		1,450	
Interest earnings		33,438	
Tax refunds		8,751	
Total	<u>99,000</u>	<u>91,639</u>	<u>(7,361)</u>
Total revenues	<u>894,000</u>	<u>857,576</u>	<u>(36,424)</u>
Expenditures:			
Water and sewer administration:			
To County general fund for administration		65,015	
Travel		2,560	
Office supplies, telephone, postage		30,810	
Insurance		21,045	
Professional services		25,258	
Computer maintenance expense		11,324	
Total	<u>352,438</u>	<u>156,012</u>	<u>196,426</u>
Water treatment, pump station and distribution:			
Salaries		192,244	
Fringe benefits		53,544	
Supplies, chemicals and materials		60,762	
Electricity		56,517	
Fuel and vehicle expense		27,519	
Water analysis		3,395	
Uniforms		2,887	
Repairs		6,142	
Other expenses		7,165	
Total	<u>437,230</u>	<u>410,175</u>	<u>27,055</u>

Gates County, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2008
(continued)

	2008		Variance Positive (Negative)
	Budget	Actual	
Debt service:			
Principal payment	\$	\$ 124,227	\$
Interest and fees		65,993	
Total	<u>191,000</u>	<u>190,220</u>	<u>780</u>
Capital outlay:			
Equipment	<u>273,678</u>	<u>77,950</u>	<u>195,728</u>
Total expenditures	<u>1,254,346</u>	<u>834,357</u>	<u>419,989</u>
Revenues over (under) expenditures	(<u>360,346</u>)	<u>23,219</u>	<u>383,565</u>
Other financial sources (uses)			
Transfer to General Fund	(<u>250</u>)	(<u>250</u>)	<u>-</u>
Revenues over (under) expenditures and other uses	(<u>360,596</u>)	<u>22,969</u>	<u>383,565</u>
Appropriated net assets	<u>360,596</u>	<u>-</u>	(<u>360,596</u>)
Revenues and appropriated net assets over expenditures and other uses	<u>\$ -</u>	<u>22,969</u>	<u>\$ 22,969</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Debt principal		124,227	
Capital outlay		77,950	
Decrease in accrued vacation pay		3,437	
Depreciation		(<u>214,870</u>)	
Total reconciling items		(<u>9,256</u>)	
Change in net assets		<u>\$ 13,713</u>	

Gates County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30 2008
Social Services				
Assets:				
Cash and cash equivalents	\$ 7,186	\$ 63,410	\$ 54,452	\$ 16,144
Liabilities:				
Miscellaneous liabilities	\$ 7,186	\$ 63,410	\$ 54,452	\$ 16,144
DMV Fund				
Assets:				
Cash and cash equivalents	\$ 509	\$ 8,012	\$ 7,827	\$ 694
Liabilities:				
Miscellaneous liabilities	\$ 509	\$ 8,012	\$ 7,827	\$ 694
Extension Director Funds				
Assets:				
Cash and cash equivalents	\$ -	\$ 27,126	\$ 7,211	\$ 19,915
Liabilities:				
Miscellaneous liabilities	\$ -	\$ 27,126	\$ 7,211	\$ 19,915
Four H Fund				
Assets:				
Cash and cash equivalents	\$ -	\$ 75,554	\$ 15,698	\$ 59,856
Liabilities:				
Miscellaneous liabilities	\$ -	\$ 75,554	\$ 15,698	\$ 59,856
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 7,695	\$ 174,102	\$ 85,188	\$ 96,609
Liabilities:				
Miscellaneous liabilities	\$ 7,695	\$ 174,102	\$ 85,188	\$ 96,609

OTHER SCHEDULES

Gates County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2008

Fiscal Year	Uncollected Balance June 30, 2007	Additions	Collections And Credits	Uncollected Balance June 30, 2007
2007-2008	\$	\$ 5,421,716	\$ 5,068,074	\$ 353,642
2006-2007	288,518	146	194,158	94,506
2005-2006	95,204	655	35,493	60,366
2004-2005	64,109	-	18,013	46,096
2003-2004	34,548	30	5,693	28,885
2002-2003	34,038	106	2,299	31,845
2001-2002	34,555	-	1,836	32,719
2000-2001	31,739	-	1,322	30,417
1999-2000	25,607	-	1,747	23,860
1998-1999	18,627	154	912	17,869
1997-1998	20,968	-	20,968	-
	<u>\$ 647,913</u>	<u>\$ 5,422,807</u>	<u>\$ 5,350,515</u>	720,205
	Less: allowance for uncollectible accounts: General Fund			<u>101,500</u>
	Ad valorem taxes receivable - net: General Fund			<u>\$ 618,705</u>
	<u>Reconciliation with revenues:</u>			
	Ad valorem taxes - General Fund			<u>\$ 5,417,442</u>
	Reconciling items:			
	Interest collected			(88,462)
	Taxes written off			<u>21,535</u>
	Total reconciling items			<u>(66,927)</u>
	Total collections and credits			<u>\$ 5,350,515</u>

Gates County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
 June 30, 2008

	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	\$ 556,760,201	97.5	\$ 5,428,412	\$ 4,620,490	\$ 807,922
Penalties			<u>4,311</u>	<u>4,311</u>	<u>-</u>
Total	<u>556,760,201</u>		<u>5,432,723</u>	<u>4,624,801</u>	<u>807,922</u>
Discoveries:					
Current year taxes	<u>762,411</u>		<u>7,434</u>	<u>7,434</u>	<u>-</u>
Abatements	<u>(1,891,392)</u>		<u>(18,441)</u>	<u>(6,822)</u>	<u>(11,619)</u>
Total property valuation	<u>\$ 555,631,220</u>				
Net levy			5,421,716	4,625,413	796,303
Uncollected taxes at June 30, 2008			<u>353,642</u>	<u>190,206</u>	<u>163,436</u>
Current year's taxes collected			<u>\$ 5,068,074</u>	<u>\$ 4,435,207</u>	<u>\$ 632,867</u>
Current levy collection percentage			<u>93.48</u>	<u>95.89</u>	<u>79.48</u>

COMPLIANCE SECTION

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

To the Board of County Commissioners
Gates County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of Gates County, North Carolina, as of and for the year ended June 30, 2008, which collectively comprises the County's basic financial statements, and have issued our report thereon dated December 1, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gates County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies 2008-1, 2008-2, and 2008-3, described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gates County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the County Commissioners and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pittard Perry & Crone, Inc.

New Bern, North Carolina
December 1, 2008

**Report On Compliance With Requirements Applicable To Each Major
Federal Program And Internal Control Over Compliance In Accordance
With OMB Circular A-133 And the State Single Audit Implementation Act**

To the Board of County Commissioners
Gates County, North Carolina

Compliance

We have audited the compliance of Gates County, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2008. Gates County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Gates County's management. Our responsibility is to express an opinion on Gates County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gates County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Gates County's compliance with those requirements.

In our opinion, Gates County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Gates County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Gates County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

To the Board of County Commissioners
Gates County, North Carolina
Page 2

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the audit committee, management, others within the organization, members of the County Commissioners, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pittard Perry & Crone Inc.

New Bern, North Carolina
December 1, 2008

Gates County, North Carolina
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
 For the Fiscal Year Ended June 30, 2008

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes	<input checked="" type="checkbox"/> no
Significant Deficiencies identified that are not considered to be material weaknesses	<input checked="" type="checkbox"/> yes	none reported

Noncompliance material to financial statements noted	yes	<input checked="" type="checkbox"/> no
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Federal Awards

Internal control over major federal programs:

Material weaknesses identified?	yes	<input checked="" type="checkbox"/> no
Significant Deficiencies identified that are not considered to be material weaknesses	yes	<input checked="" type="checkbox"/> none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	yes	<input checked="" type="checkbox"/> no
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Identification of major federal programs:

CFDA#	Program Name
10.551	Food Stamp Cluster
10.561	
93.575	Subsidized Child Care Cluster
93.596	
93.667	
93.558	
93.778	Title XIX - Medicaid

Dollar threshold used to distinguish between Type A and Type B Programs	\$ <u>300,000</u>
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Auditee qualified as low-risk auditee?	yes	<input checked="" type="checkbox"/> no
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Gates County, North Carolina
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2008

Section II. Financial Statement Findings

Significant Deficiency

2008-1 Segregation of duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately in the areas of utility billings and collections and the payroll function.

Condition: There is lack of segregation of duties among County personnel.

Effect: Transactions could be mishandled.

Cause: The County has a limited number of personnel to perform certain functions.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The County agrees with this finding.

2008-2 Safeguarding of assets

Criteria: The County should maintain a listing of fixed assets to ensure proper accountability.

Condition: The County does not maintain a complete listing of fixed assets.

Effect: Assets are susceptible to theft and misappropriation.

Cause: The County has a limited number of personnel to perform certain functions.

Recommendation: The County should develop a complete fixed asset listing to track fixed assets.

Views of responsible officials and planned corrective actions: The County agrees with this finding.

Gates County, North Carolina
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2008

Section II. Financial Statement Findings

Significant Deficiency

2008-3 Proper accounting for agency funds

Criteria: The County needs to ensure all agency funds are properly accounted for.

Condition: During the course of the audit, we found the cooperative extension department has two agency accounts where it appears that not all revenues and expenditures are being classified appropriately. It appears that some of the revenues and expenditures should be recorded in the County's operations. Also noted, the DSS checking account is not included on the County's books and not reconciled on a monthly basis.

Effect: Transactions could be mishandled.

Cause: The County has a limited number of personnel to perform certain functions.

Recommendation: The County needs to strengthen controls over agency funds to ensure proper accounting and oversight.

Views of responsible officials and planned corrective actions: The County agrees with this finding.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported

Section V. Status of Prior Year Findings

2007-1 Segregation of Duties

Status: This finding continues to be an ongoing problem.

2007-2 Embezzlement

Status: Corrected. Controls have been strengthened to provide proper oversight for grants.

Gates County, North Carolina
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2008

Section II. Financial Statement Findings

Significant Deficiency

2008-1 Segregation of duties

Name of contact person: Sandy Pittman – Finance Officer

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

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

2008-2 Safeguarding of assets

Name of contact person: Sandy Pittman – Finance Officer

Corrective Active: The County will take a physical inventory of all fixed assets and maintain a listing in order to properly track fixed assets.

Proposed Completion Date: The County will implement procedures immediately.

2008-3 Proper accounting for agency funds

Name of contact person: Sandy Pittman – Finance Officer

Corrective Active: The agency accounts will be reviewed to determine proper accounting treatment. The DSS checking account will be added to the County's records and reconciled monthly.

Proposed Completion Date: The County will implement procedures immediately.

Gates County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2008

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
FEDERAL AWARDS:			
<u>U.S. Dept. of Agriculture</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Social Services:			
Administration:			
Food Stamp Cluster:			
Food Stamp Program – Noncash	10.551	\$ 1,247,610	\$ -
State Administrative Matching Grants for the Food Stamp Program	10.561	<u>83,737</u>	<u>-</u>
Total Food Stamp Cluster		1,331,347	-
<u>U.S. Dept. of Housing and Urban Development</u>			
Single Family Rehabilitation Program	14.239	93,955	-
<u>U.S. Department of Justice</u>			
Passed-through N.C. Dept. Crime Control and Public Safety			
Juvenile Justice Delinquency	16.540	<u>6,935</u>	<u>-</u>
<u>U.S. Dept. of Health and Human Services</u>			
<u>Administration for Children and Families</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Social Services:			
Temporary Assistance for Needy Families	93.558	180,582	-
Energy Assistance:			
Administration	93.568	34,179	-
Direct Benefit Payments	93.568	21,541	-
Links	93.674	40	10
N.C. Health Choice	93.767	7,827	623
Social Services Block Grant	93.667	64,738	6,613
Title IV-E Foster Care	93.658	28,271	15,010
Adoption	93.659	1,998	561
Permanency Planning	93.645	2,805	826
Subsidized Child Care (Note 2)			
<u>Child Care Development Fund Cluster</u>			
Division of Social Services			
Child Care Development Fund-Administration	93.596	60,000	-
Division of Child Development			
Child Care and Development Fund – Discretionary	93.575	110,360	-
Child Care and Development Fund - Mandatory	93.596	45,187	-
Child Care and Development Fund - Match	93.596	<u>14,394</u>	<u>52,852</u>
Total Child Care Fund Cluster		229,941	52,852

Gates County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2008
 (continued)

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
Social Services Block Grant	93.667	1,922	-
Temporary Assistance for Needy Families	93.558	37,529	-
Smart Start		-	9,326
State Appropriations		-	12,863
TANF-MOE		-	17,361
Total Subsidized Child Care Cluster		269,392	92,402
 <u>Health Care Financing Administration</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Medical Assistance:			
Direct Benefit Payments	93.778	6,705,741	3,502,257
Division of Social Services:			
Medical Assistance Program	93.778	215,965	6,911
 <u>U.S. Department of Transportation</u>			
Passed through N.C. Department of Transportation:			
Community Transportation Program	20.509	201,958	19,332
Operations program	20.516	26,513	-
Total		228,471	19,332
 <u>U.S. Department of Homeland Security</u>			
Passed through N.C. Dept. of Crime Control and Public Safety:			
Emergency Management	97.042	16,053	-
Total federal awards		9,209,840	3,644,545

Gates County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2008
 (continued)

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>
STATE AWARDS:			
<u>N.C. Dept. of Health and Human Services:</u>			
<u>Division of Social Services:</u>			
Smart Start			6,159
CPS Expansion			41,137
State Aid to Counties			9,278
Domicillary Care – Direct Benefit			91,045
State Foster Care			120
CWS – Adoption – Direct Benefit			490
Total			<u>148,229</u>
 <u>NC Department of Public Instruction</u>			
Public School Building Capital Fund			152,100
Lottery Proceeds			<u>182,960</u>
Total			335,060
 <u>N.C. Dept. of Transportation:</u>			
ROAP			109,351
 <u>N.C. Dept. of Administration:</u>			
Division of Veterans Affairs			2,000
 <u>N.C. Dept. of Juvenile Justice and Delinquency Prevention:</u>			
Juvenile Criminal Prevention			29,464
Support our Student Program (SOS)			53,218
CBA Genesis			33,562
New Choices			4,643
Life Smarts-Making a job			3,899
School Age Child Care			32,767
Gang Violence			13,830
Baby Love Grant			47,415
Total			<u>218,798</u>
 Total State awards		<u>-</u>	<u>813,438</u>
 Total federal and State Awards		<u>\$ 9,209,840</u>	<u>\$ 4,457,983</u>

Gates County, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008
(continued)

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

1. Basis of Presentation

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

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

To the Board of Commissioners
Gates County, North Carolina

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gates County as of and for the year ended June 30, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered Gates County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

1. In the software for water and garbage receivables, a separate aging for each individual fund could not be calculated. This should be an important management tool in order to determine whether cut off procedures are being utilized in an appropriate manner.
2. In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are bonded for \$10,000 each. This amount does not meet the minimum \$50,000 requirement. We also saw no evidence that the remaining employees that have access to funds are bonded under a blanket bond.
3. In accordance with Article 3 of Chapter 62A, a State 911 Board was established. Under this Statute, the County should have transferred unspent local 911 wireless fees held by the County to the General Fund.
4. The Single Family Home Project Fund has a deficit fund balance of \$5,209 at June 30, 2008.
5. The County made a transfer from the General Fund to the USDA Loan Reserve Fund. The transfer was budgeted in the General Fund but not budgeted in the USDA Loan Reserve Fund.

To the Board of Commissioners
Gates County, North Carolina
Page 2

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies listed above as material weaknesses.

This report is intended solely for the information and use of management, others within the organization, members of the Board of Commissioners, federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Pittard Perry & Crone Inc.

New Bern, North Carolina
December 1, 2008