

# *Financial Statements*

***Gates County, North Carolina***

***Year Ended June 30, 2007***

Gates County, North Carolina  
**TABLE OF CONTENTS**  
 June 30, 2007

| <u>EXHIBIT</u> |  | <u>Page</u> |
|----------------|--|-------------|
|                | <b>FINANCIAL SECTION</b>   | 5           |
|                | <b>INDEPENDENT AUDITORS' REPORT</b>  | 6-7         |
|                | <b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>  | 8-20        |
|                | <b>BASIC FINANCIAL STATEMENTS</b>  | 21          |
|                | Government-wide Financial Statements:  |             |
| Exhibit 1      | Statement of Net Assets  | 22          |
| Exhibit 2      | Statement of Activities  | 23-24       |
|                | Fund Financial Statements:   |             |
| Exhibit 3      | Balance Sheet – Governmental Funds   | 25          |
| Exhibit 3      | Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  | 25          |
| Exhibit 4      | Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds   | 26          |
| Exhibit 4      | Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 27          |
| Exhibit 5      | Statement of Revenues, Expenditures, and Changes In Fund Balances – Budget and Actual – General Fund   | 28-29       |
| Exhibit 6      | Statement of Net Assets – Proprietary Funds  | 30          |
| Exhibit 7      | Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds  | 31          |
| Exhibit 8      | Statement of Cash Flows – Enterprise Funds   | 32-33       |
| Exhibit 9      | Statement of Fiduciary Net Assets – Fiduciary Funds  | 34          |
|                | Notes to the Financial Statements  | 35-54       |

Gates County, North Carolina  
**TABLE OF CONTENTS**  
 June 30, 2007

|  | <u>Page</u> |
|--|-------------|
| <b>INDIVIDUAL FUND STATEMENTS AND SCHEDULES:</b>   |             |
| Statement of Revenues, Expenditures, and Changes<br>In Fund Balance – General Fund – Budget and<br>Actual      | 55-61       |
| Combining Balance Sheet for Non-Major<br>Governmental Funds  | 62-63       |
| Combining Statement of Revenues, Expenditures,<br>and Changes in Fund Balance – Nonmajor<br>Governmental Funds | 64-65       |
| Statements of Revenues, Expenditures, and Changes<br>In Fund Balances – Budget and Actual:                     |             |
| Revaluation Fund   | 66          |
| Emergency Telephone System Fund  | 67          |
| Fire Protection Fund   | 68          |
| Grant Project Fund   | 69          |
| Capital Reserve Fund   | 70          |
| School Capital Reserve Fund  | 71          |
| Single Family Home Project Grant   | 72          |
| DSS Construction Project   | 73          |
| School Construction Fund   | 74          |
| Schedules of Revenues and Expenditures -<br>Budget and Actual (Non-GAAP):                                      |             |
| Landfill Fund  | 75          |
| Water Fund   | 76-77       |
| Combining Statement of Changes in Assets and<br>Liabilities – Agency Funds                                     | 78          |
| <b>OTHER SCHEDULES:</b>  | 79          |
| Schedule of Ad Valorem Taxes Receivable  | 80          |
| Analysis of Current Tax Levy – County-Wide Levy  | 81          |

Gates County, North Carolina  
**TABLE OF CONTENTS**  
June 30, 2007

|  |       |
|--|-------|
| Compliance Section:  | 82    |
| 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             | 83-84 |
| 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 | 85-86 |
| Schedule of Prior Year Audit Findings  | 87-89 |
| Corrective Action Plan   | 90    |
| Schedule of Expenditures of Federal and State Awards   | 91-93 |
| Management Letter  | 94    |

**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 ended June 30, 2007, 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, 2007, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2007 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.

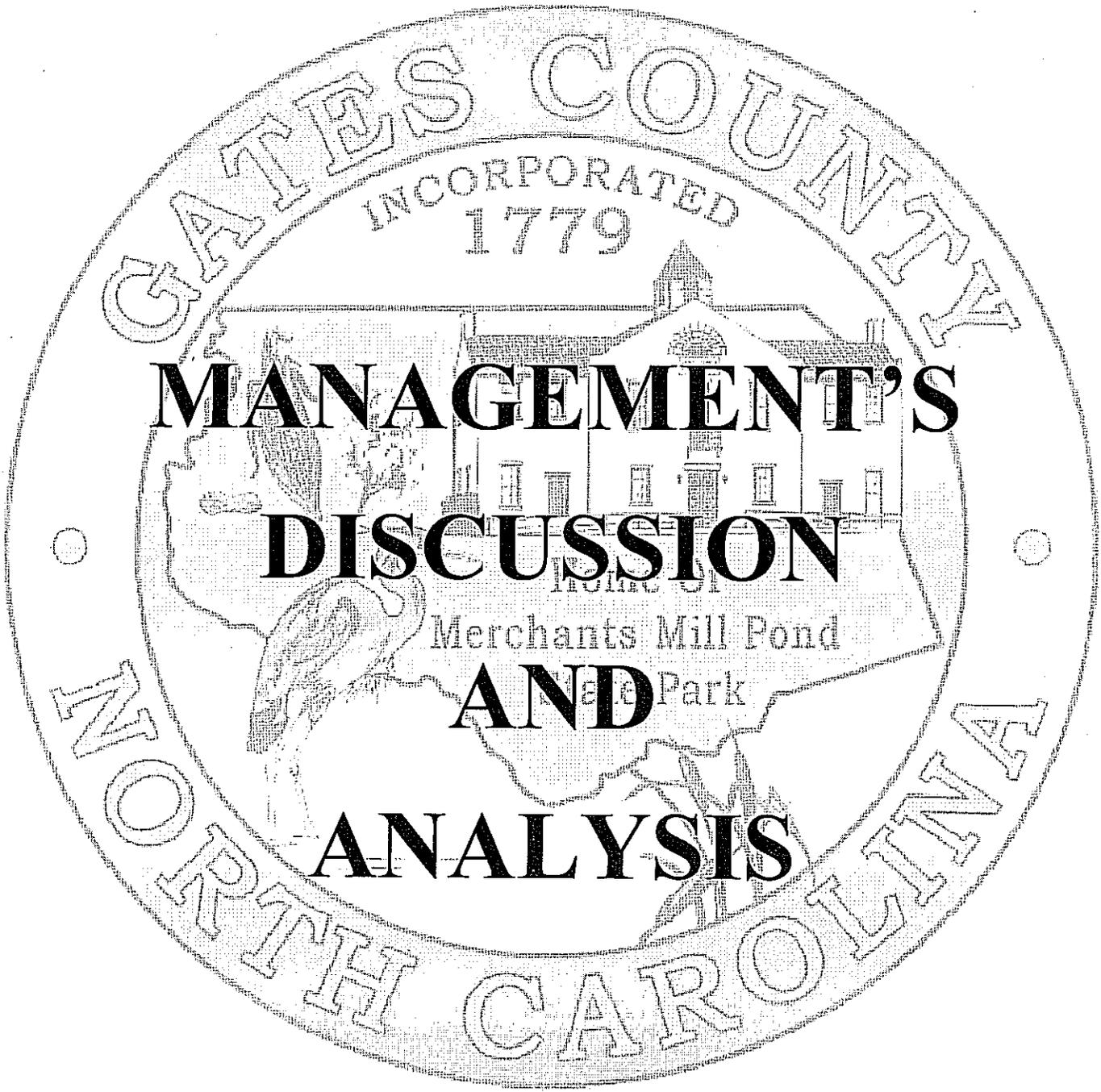
To the Board of County Commissioners  
Gates County, North Carolina  
Page 2

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 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 nonmajor 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 nonmajor 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 & Co., Inc*

Ahoskie, North Carolina  
November 26, 2007



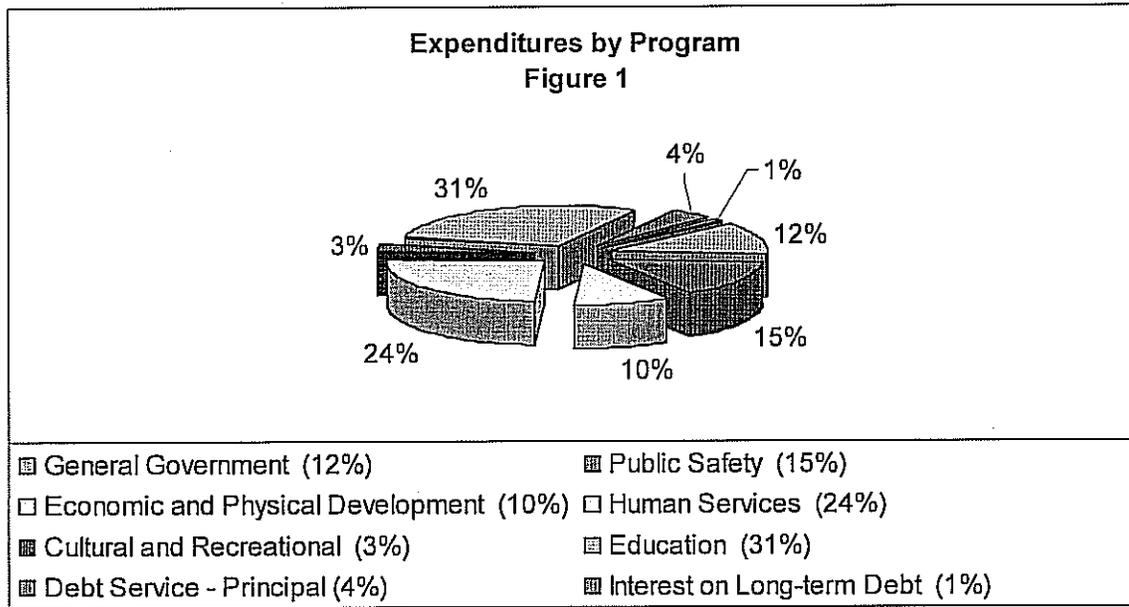
**MANAGEMENT'S  
DISCUSSION  
AND  
ANALYSIS**

**GATES COUNTY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007**

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, 2007. 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 \$0.87 to \$0.91
- For governmental activities, net assets increased by \$754,670 the current fiscal year.
- For business-type activities, net assets increased by \$22,061 during the current fiscal year.
- Gates County's capital assets for its governmental and business-type activities as of June 30, 2007, total \$7,123,746 (net of accumulated depreciation).
- As of June 30, 2007, Gates County had total debt outstanding of \$11,357,080.



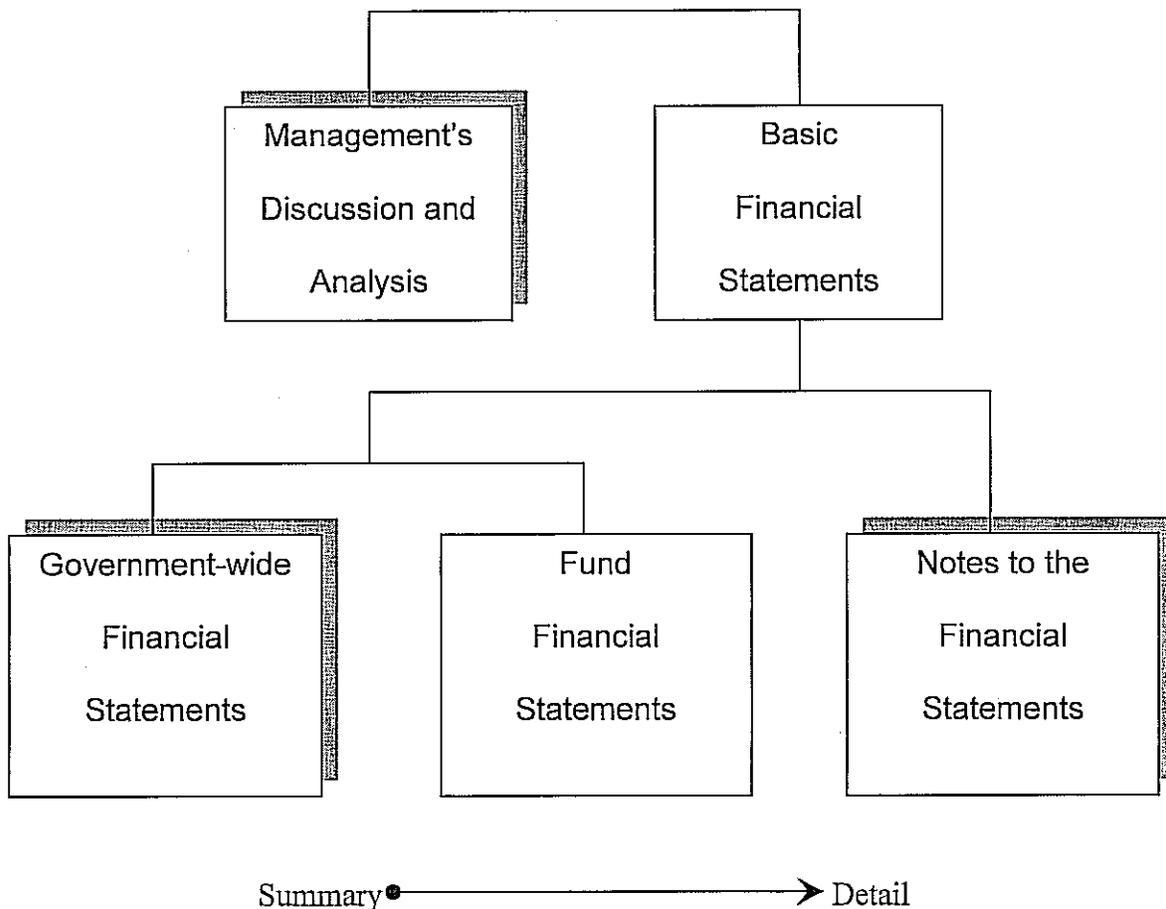
**GATES COUNTY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007**

*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, 2007**

*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, 2007**

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, 2007**

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 35 of this report.

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

June 30, 2007

*Government-Wide Financial Analysis*

**Gates County's Net Assets**

**Figure 3**

|  | Governmental<br>Activities |                     | Business-type<br>Activities |                     | Total                |                      |
|--|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
|  | 2007                       | 2006                | 2007                        | 2006                | 2007                 | 2006                 |
| Current and other assets                           | \$ 8,485,563               | \$ 2,956,881        | \$ 1,818,159                | \$ 1,725,268        | \$ 10,303,722        | \$ 4,682,149         |
| Capital assets                                     | 2,886,414                  | 1,406,146           | 5,649,475                   | 5,776,989           | 8,535,889            | 7,183,135            |
| <b>Total assets</b>                                | <b>\$ 11,371,977</b>       | <b>\$ 4,363,027</b> | <b>\$ 7,467,634</b>         | <b>\$ 7,502,257</b> | <b>\$ 18,839,611</b> | <b>\$ 11,865,284</b> |
| Long-term liabilities outstanding                  | \$ 9,969,205               | \$ 3,832,291        | \$ 1,387,875                | \$ 1,500,383        | \$ 11,357,080        | \$ 5,332,674         |
| Other liabilities                                  | 370,106                    | 252,740             | 160,060                     | 104,236             | 530,166              | 356,976              |
| <b>Total liabilities</b>                           | <b>10,339,311</b>          | <b>4,085,031</b>    | <b>1,547,935</b>            | <b>1,604,619</b>    | <b>11,887,246</b>    | <b>5,689,650</b>     |
| <b>Net assets:</b>                                 |                            |                     |                             |                     |                      |                      |
| Invested in capital assets, net of<br>related debt | 2,862,146                  | 1,376,438           | 4,280,199                   | 4,289,391           | 7,142,345            | 5,665,829            |
| Unrestricted                                       | (1,829,480)                | (1,098,442)         | 1,639,500                   | 1,608,247           | (189,980)            | 509,805              |
| <b>Total net assets</b>                            | <b>\$ 1,032,666</b>        | <b>\$ 277,996</b>   | <b>\$ 5,919,699</b>         | <b>\$ 5,897,638</b> | <b>\$ 6,952,365</b>  | <b>\$ 6,175,634</b>  |

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 \$6,952,365 as of June 30, 2007. 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 \$776,731 for the fiscal year ended June 30, 2007. 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, 2007, the County reported \$7,142,345 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, 2007, 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, 2007 Gates County's unrestricted net assets totaled (\$189,980).

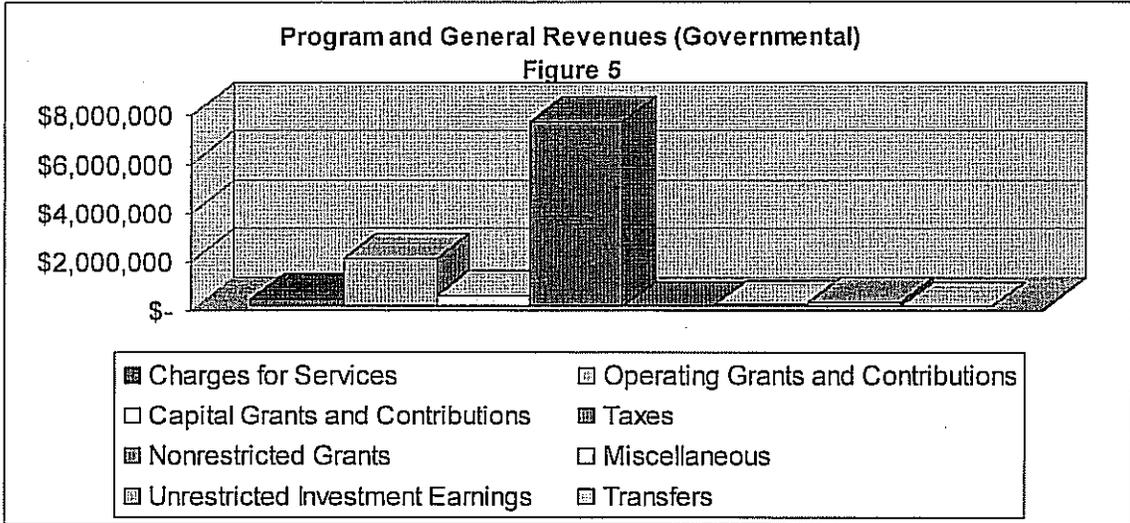
Total net assets in excess of liabilities at June 30, 2007 for the governmental and business-type activities were \$1,032,666 and \$5,919,699, respectively (refer to figure 3).

For governmental activities, net assets increased by \$754,670 during the current fiscal year. This increase can be attributed to:

- A property tax rate increase of \$.04 and increase in total valuation due to new construction

**GATES COUNTY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007**

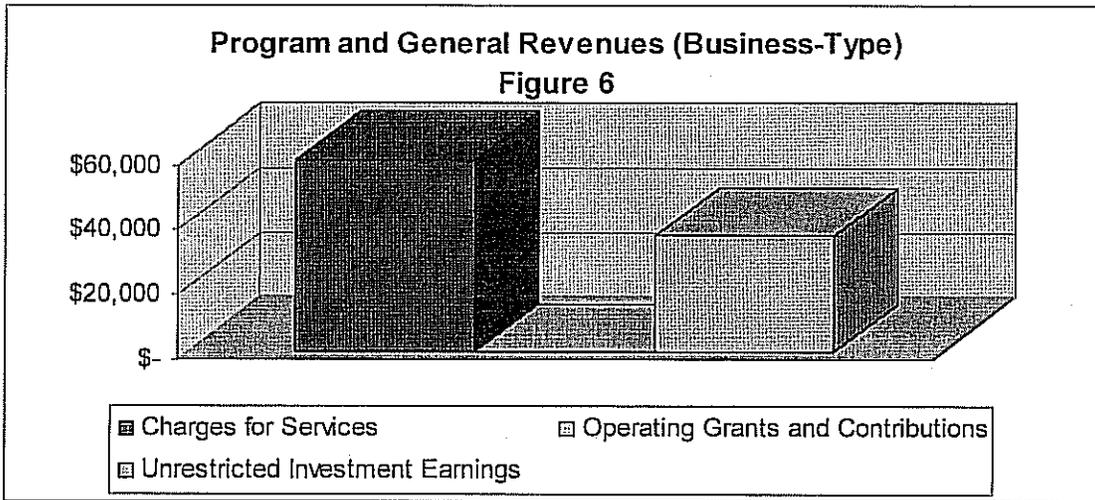
- Increases in local option sales tax revenues
- Rising interest rates have increased interest income



For business-type activities, net assets increased by \$22,061 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, 2007.

Of this \$22,061 increase in net assets, \$11,778 is assigned to the Landfill operations, while \$10,283 is designated as Water operations. This increase can be attributed to:

- An increase in water consumption
- An increase in signups
- An increase in solid waste fees
- Rising interest rates have increased interest income



**GATES COUNTY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007**

**Gates County's Changes in Net Assets  
Figure 7**

| Revenues:   | Governmental<br>Activities |            | Business-type<br>Activities |              | Total        |              |
|---|----------------------------|------------|-----------------------------|--------------|--------------|--------------|
|   | 2007                       | 2006       | 2007                        | 2006         | 2007         | 2006         |
| Program revenues:   |                            |            |                             |              |              |              |
| Charges for services  | \$ 278,784                 | \$ 488,586 | \$ 1,529,533                | \$ 1,347,124 | \$ 1,808,317 | \$ 1,835,710 |
| Operating grants and contributions                              | 1,946,302                  | 1,846,814  | -                           | -            | 1,946,302    | 1,846,814    |
| Capital grants and contributions                                | 463,901                    | 748,250    | -                           | -            | 463,901      | 748,250      |
| General revenues:   |                            |            |                             |              |              |              |
| Property taxes  | 5,022,414                  | 4,653,972  | -                           | -            | 5,022,414    | 4,653,972    |
| Local option sales tax  | 2,023,620                  | 1,870,635  | -                           | -            | 2,023,620    | 1,870,635    |
| Other taxes   | 523,303                    | 177,848    | 18,387                      | -            | 541,690      | 177,848      |
| Grants and contributions not restricted<br>to specific programs | -                          | 66,057     | -                           | -            | -            | 66,057       |
| Investment earnings, unrestricted                               | 179,940                    | 80,807     | 36,298                      | 33,212       | 216,238      | 114,019      |
| Other   | 61,779                     | 65,587     | 9,287                       | -            | 71,066       | 65,587       |
| Transfers   | 96                         | -          | (96)                        | -            | -            | -            |
| Total revenues  | 10,500,139                 | 9,998,556  | 1,593,409                   | 1,380,336    | 12,093,548   | 11,378,892   |
| Expenses:   |                            |            |                             |              |              |              |
| General government  | 1,232,984                  | 1,121,314  | -                           | -            | 1,232,984    | 1,121,314    |
| Public safety   | 1,766,508                  | 1,639,801  | -                           | -            | 1,766,508    | 1,639,801    |
| Environmental protection  | 48,064                     | 206,881    | -                           | -            | 48,064       | 206,881      |
| Economic and physical development                               | 1,009,409                  | 1,169,946  | -                           | -            | 1,009,409    | 1,169,946    |
| Human services  | 2,385,525                  | 2,233,851  | -                           | -            | 2,385,525    | 2,233,851    |
| Cultural and recreation   | 312,789                    | 316,646    | -                           | -            | 312,789      | 316,646      |
| Education   | 2,860,400                  | 2,544,425  | -                           | -            | 2,860,400    | 2,544,425    |
| Interest on long-term debt                                      | 129,790                    | 145,700    | -                           | -            | 129,790      | 145,700      |
| Landfill  | -                          | -          | 756,589                     | 580,833      | 756,589      | 580,833      |
| Water and sewer   | -                          | -          | 814,759                     | 777,082      | 814,759      | 777,082      |
| Total expenses  | 9,745,469                  | 9,378,564  | 1,571,348                   | 1,357,915    | 11,316,817   | 10,736,479   |
| Increase (decrease) in net assets before transfers              | 754,670                    | 619,992    | 22,061                      | 22,421       | 776,731      | 642,413      |
| Transfers   | -                          | -          | -                           | -            | -            | -            |
| Increase in net assets  | 754,670                    | 619,992    | 22,061                      | 22,421       | 776,731      | 642,413      |
| Net assets, beginning   | 277,996                    | (341,996)  | 5,897,638                   | 5,875,217    | 6,175,634    | 5,533,221    |
| Net assets, ending  | \$ 1,032,666               | \$ 277,996 | \$ 5,919,699                | \$ 5,897,638 | \$ 6,952,365 | \$ 6,175,634 |

**GATES COUNTY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007**

*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 \$(582,016), while total fund balance reached \$2,073,215. The reason the General Fund fund balance is reported as a deficit as of June 30, 2007 is due to Gates County financing the interim funding for the construction of the new Department of Social Services facility. The permanent financing source for the construction of this facility will be received in fiscal year ending June 30, 2008. 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 (6.00%) of total General Fund expenditures. Total fund balance represents 21.39% of total General Fund expenditures.

At June 30, 2007, the governmental funds of Gates County reported a combined fund balance of \$7,440,536, a 304.54% increase over last year. The primary reason for this increase is the increase in fund balance in the School Construction Fund due to construction of schools. Of this amount, \$2,655,231 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 \$1,000,577.

**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 \$39,857, and those for the Water Fund equaled \$1,618,242. The total change in net assets for both major funds was \$11,778 and \$10,283 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, 2007**

*Capital Asset and Debt Administration*

**Capital assets:** Gates County's capital assets for its governmental and business-type activities as of June 30, 2007, totals \$8,535,889 (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*

- Construction in Progress for a new Department of Social Services Building.
- Computers for the Tax Department
- A photocopy machine for Administration

*Public Safety*

- One patrol car purchased for the Sheriff's Department.

*Economic & Physical Development*

- One Van for GITS

*Water Department*

- One Ford Ranger

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

**Figure 8**

|                                  | Governmental<br>Activities<br>2007 | Governmental<br>Activities<br>2006 | Business-type<br>Activities<br>2007 | Business-type<br>Activities<br>2006 | Total<br>2007       | Total<br>2006       |
|----------------------------------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|---------------------|---------------------|
| Land                             | \$ 290,237                         | \$ 290,237                         | \$ 27,476                           | \$ 27,476                           | \$ 317,713          | \$ 317,713          |
| Construction in Progress         | 1,694,328                          | 104,575                            |                                     |                                     | \$ 1,694,328        | \$ 104,575          |
| Buildings                        | 466,325                            | 500,524                            | -                                   | -                                   | 466,325             | 500,524             |
| Plant and Distribution Systems   | -                                  | -                                  | 5,416,210                           | 5,597,658                           | 5,416,210           | 5,597,658           |
| Other Improvements               | 39,651                             | 37,090                             | -                                   | -                                   | 39,651              | 37,090              |
| Equipment                        | 171,001                            | 184,906                            | 143,535                             | 87,721                              | 314,536             | 272,627             |
| Vehicles and motorized equipment | 224,872                            | 288,814                            | 62,254                              | 64,134                              | 287,126             | 352,948             |
| <b>Total</b>                     | <b>\$ 2,886,414</b>                | <b>\$ 1,406,146</b>                | <b>\$ 5,649,475</b>                 | <b>\$ 5,776,989</b>                 | <b>\$ 8,535,889</b> | <b>\$ 7,183,135</b> |

**GATES COUNTY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007**

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

**Long-term Debt:** As of June 30, 2007, Gates County had total debt outstanding of \$11,357,080. Of this total debt, \$9,754,419 is for school building projects completed years ago and new school construction in progress. Capital improvements to the water system completed years ago account for \$1,369,276 of this debt balance. The remaining long-term debt balance consists of \$233,572 in compensated absences.

**Gates County's Outstanding Debt  
Installment Purchase Obligations**

Figure 9

|                                  | Governmental<br>Activities |              | Business-type<br>Activities |              | Total         |              |
|----------------------------------|----------------------------|--------------|-----------------------------|--------------|---------------|--------------|
|                                  | 2007                       | 2006         | 2007                        | 2006         | 2007          | 2006         |
| Installment Purchase Obligations | \$ 9,754,419               | \$ 3,692,795 | \$ 1,369,276                | \$ 1,487,598 | \$ 11,123,695 | \$ 5,180,393 |

Gates County's total debt increased by \$6,024,406 during the past fiscal year due to school construction.

Additional information regarding Gates County's long-term debt can be found in note III.B.5 beginning on page 51 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 4.7% as of June 30, lower than the state average of 5.1%
- Retail activity continues to remain constant, with sales tax revenues continuing to come in over budgeted projections.
- The County is in the preliminary stages of the development of a commerce park with the assistance of grant funding for the wastewater feasibility study being provided by Golden Leaf. Further development of this project is anticipated to take at least four years. The County hopes that development of a commerce park will initiate commercial growth within the County, thereby significantly increasing the tax base.
- On September 18, 2007, Gates County was identified by the Navy to have two potential sites for an outlying landing field (OLF). The County will be notified by

**GATES COUNTY, NORTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2007**

mid November 2007 if one of these sites becomes an option for further evaluation. Gates County has already experienced a perceived decline in desirability for growth from Tidewater Virginia, attributable for most current growth, due to this announcement. If Gates County should be studied further for this OLF, we expect further decline in marketability, and depression of values.

***Budget Highlights for the Fiscal Year Ending June 30, 2008***

**Governmental Activities:** Property taxes (benefiting from a rate increase) are expected to lead the increase in revenue projections. The County will use this increase in revenues to finance programs currently in place, having been financed partially by use of fund balance in prior years.

**Business – type Activities:** Significant changes in either of the business-type activities are not expected.

***Audit Findings***

During the course of the audit, our auditor discovered embezzlement by our former Emergency Management Coordinator. The amount stolen from the County was \$13,173, which was related to an Emergency Management Grant. The State of North Carolina, Department of Crime Control and Public Safety reissued the check to the County. The incident is currently under investigation with the State Bureau of Investigations. The finance staff for the County has taken extra measures to strengthen our internal controls in an effort to make sure that similar situations do not occur in the future.

***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, 2007

|   | Primary Government         |                             |              | Component Unit            |
|---|----------------------------|-----------------------------|--------------|---------------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total        | Gates County<br>ABC Board |
| <b>ASSETS</b>                                       |                            |                             |              |                           |
| Cash and cash equivalents                           | \$ 8,002,754               | \$ 666,269                  | \$ 8,669,023 | \$ 119,625                |
| Receivables (net)                                   | 1,402,003                  | 212,848                     | 1,614,851    | -                         |
| Inventories   | -                          | 19,848                      | 19,848       | 108,432                   |
| Internal balances                                   | (919,194)                  | 919,194                     | -            | -                         |
| Prepaid items                                       | -                          | -                           | -            | 789                       |
| Capital assets:                                     |                            |                             |              |                           |
| Land, improvements, and<br>construction in progress | 1,984,565                  | 27,476                      | 2,012,041    | 4,345                     |
| Other capital assets, net of<br>depreciation        | 901,849                    | 5,621,999                   | 6,523,848    | 14,952                    |
| Total capital assets                                | 2,886,414                  | 5,649,475                   | 8,535,889    | 19,297                    |
| Total assets  | 11,371,977                 | 7,467,634                   | 18,839,611   | 248,143                   |
| <b>LIABILITIES</b>                                  |                            |                             |              |                           |
| Accounts payable and accrued<br>expenses            | 321,694                    | 160,060                     | 481,754      | 37,618                    |
| Unearned revenue                                    | 48,412                     | -                           | 48,412       | -                         |
| Long-term liabilities:                              |                            |                             |              |                           |
| Due within one year                                 | 887,896                    | 124,227                     | 1,012,123    | -                         |
| Due in more than one year                           | 9,081,309                  | 1,263,648                   | 10,344,957   | -                         |
| Total liabilities                                   | 10,339,311                 | 1,547,935                   | 11,887,246   | 37,618                    |
| <b>NET ASSETS</b>                                   |                            |                             |              |                           |
| Invested in capital assets, net of<br>related debt  | 2,862,146                  | 4,280,199                   | 7,142,345    | 19,297                    |
| Unrestricted  | (1,829,480)                | 1,639,500                   | (189,980)    | 191,228                   |
| Total net assets                                    | \$ 1,032,666               | \$ 5,919,699                | \$ 6,952,365 | \$ 210,525                |

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

Gates County, North Carolina  
**Statement of Activities**  
 June 30, 2007

| Functions/Programs                    | Program Revenues     |                      |                                    |                                  |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
|                                       | Expenses             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary government:</b>            |                      |                      |                                    |                                  |
| Governmental Activities:              |                      |                      |                                    |                                  |
| General government                    | \$ 1,232,984         | \$ 101,909           | \$ 6,202                           |                                  |
| Public safety                         | 1,766,508            | 146,571              | 47,004                             | -                                |
| Environmental protection              | 48,064               | -                    | -                                  | -                                |
| Economic and physical development     | 1,009,409            | 30,304               | 643,964                            | 39,001                           |
| Human services                        | 2,385,525            | -                    | 1,221,576                          | -                                |
| Cultural and recreation               | 312,789              | -                    | -                                  | -                                |
| Education                             | 2,860,400            | -                    | 27,556                             | 424,900                          |
| Interest on long-term debt            | 129,790              | -                    | -                                  | -                                |
| <b>Total governmental activities</b>  | <b>9,745,469</b>     | <b>278,784</b>       | <b>1,946,302</b>                   | <b>463,901</b>                   |
| Business-type activities:             |                      |                      |                                    |                                  |
| Landfill                              | 756,589              | 749,862              | -                                  | -                                |
| Water and Sewer                       | 814,759              | 779,671              | -                                  | -                                |
| <b>Total business-type activities</b> | <b>1,571,348</b>     | <b>1,529,533</b>     | <b>-</b>                           | <b>-</b>                         |
| <b>Total primary government</b>       | <b>\$ 11,316,817</b> | <b>\$ 1,808,317</b>  | <b>\$ 1,946,302</b>                | <b>\$ 463,901</b>                |
| Component units:                      |                      |                      |                                    |                                  |
| ABC Board                             | \$ 370,637           | \$ 376,436           | \$ -                               | \$ -                             |
| <b>Total component units</b>          | <b>\$ 370,637</b>    | <b>\$ 376,436</b>    | <b>\$ -</b>                        | <b>\$ -</b>                      |

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.

Net (Expense) Revenue and Changes in Net Assets

| Primary Government      |                          |                     | Component Unit         |
|-------------------------|--------------------------|---------------------|------------------------|
| Governmental Activities | Business-type Activities | Total               | Gates County ABC Board |
| \$ (1,124,873)          | \$ -                     | \$ (1,124,873)      |                        |
| (1,572,933)             | -                        | (1,572,933)         |                        |
| (48,064)                | -                        | (48,064)            |                        |
| (296,140)               | -                        | (296,140)           |                        |
| (1,163,949)             | -                        | (1,163,949)         |                        |
| (312,789)               | -                        | (312,789)           |                        |
| (2,407,944)             | -                        | (2,407,944)         |                        |
| (129,790)               | -                        | (129,790)           |                        |
| <u>(7,056,482)</u>      | <u>-</u>                 | <u>(7,056,482)</u>  |                        |
| -                       | (6,727)                  | (6,727)             |                        |
| -                       | (35,088)                 | (35,088)            |                        |
| -                       | (41,815)                 | (41,815)            |                        |
| <u>(7,056,482)</u>      | <u>(41,815)</u>          | <u>(7,098,297)</u>  |                        |
|                         |                          |                     | <u>5,799</u>           |
| 5,022,414               | -                        | 5,022,414           | -                      |
| 2,023,620               | -                        | 2,023,620           | -                      |
| 523,303                 | 18,387                   | 541,690             | -                      |
|                         | -                        | -                   | -                      |
| 179,940                 | 36,298                   | 216,238             | 4,511                  |
| 61,779                  | 9,287                    | 71,066              | -                      |
| 96                      | (96)                     | -                   | -                      |
| <u>7,811,152</u>        | <u>63,876</u>            | <u>7,875,028</u>    | <u>4,511</u>           |
| 754,670                 | 22,061                   | 776,731             | 10,310                 |
| 277,996                 | 5,897,638                | 6,175,634           | 200,215                |
| <u>\$ 1,032,666</u>     | <u>\$ 5,919,699</u>      | <u>\$ 6,952,365</u> | <u>\$ 210,525</u>      |

Gates County, North Carolina  
**Balance Sheet**  
**Governmental Funds**  
 June 30, 2007

|  | General             | School<br>Construction<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                              |                     |                                |                                |                                |
| Cash and cash equivalents                  | \$ 771,319          | \$ 6,569,909                   | \$ 661,526                     | \$ 8,002,754                   |
| Receivables, net                           | 1,371,830           | -                              | 30,173                         | 1,402,003                      |
| Due from other funds                       | 919,194             | -                              | -                              | 919,194                        |
| <b>Total assets</b>                        | <b>\$ 3,062,343</b> | <b>\$ 6,569,909</b>            | <b>\$ 691,699</b>              | <b>\$ 10,323,951</b>           |
| <b>LIABILITIES AND FUND BALANCES</b>       |                     |                                |                                |                                |
| Liabilities:                               |                     |                                |                                |                                |
| Accounts payable and accrued liabilities   | \$ 265,795          | \$ -                           | \$ 55,899                      | \$ 321,694                     |
| Due to other funds                         | -                   | -                              | 1,838,388                      | 1,838,388                      |
| Unearned revenue                           | 48,412              | -                              | -                              | 48,412                         |
| Deferred revenue                           | 674,921             | -                              | -                              | 674,921                        |
| <b>Total liabilities</b>                   | <b>989,128</b>      | <b>-</b>                       | <b>1,894,287</b>               | <b>2,883,415</b>               |
| Fund balances:                             |                     |                                |                                |                                |
| Reserved for:                              |                     |                                |                                |                                |
| State statute                              | 2,605,231           | -                              | -                              | 2,605,231                      |
| Subsequent year's budget                   | 50,000              | -                              | -                              | 50,000                         |
| Unreserved                                 | (582,016)           | -                              | -                              | (582,016)                      |
| Unreserved, reported in nonmajor:          |                     |                                |                                |                                |
| Special revenue funds                      | -                   | -                              | 668,265                        | 668,265                        |
| Capital project funds                      | -                   | 6,569,909                      | (1,870,853)                    | 4,699,056                      |
| <b>Total fund balances</b>                 | <b>2,073,215</b>    | <b>6,569,909</b>               | <b>(1,202,588)</b>             | <b>7,440,536</b>               |
| <b>Total liabilities and fund balances</b> | <b>\$ 3,062,343</b> | <b>\$ 6,569,909</b>            | <b>\$ 691,699</b>              |                                |

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.                            | 2,886,414           |
| Liabilities for earned but deferred revenues in fund statements.   | 674,921             |
| Some liabilities, including bonds payable, are not due and payable in the current period and and therefore are not reported in the funds (Note 4). | (9,969,205)         |
| <b>Net assets of governmental activities</b>   | <b>\$ 1,032,666</b> |

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

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

For the Year Ended June 30, 2007

|   | General Fund        | School<br>Construction<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>                                   |                     |                                |                                |                                |
| Ad valorem taxes                                  | \$ 5,025,871        | \$ -                           | \$ -                           | \$ 5,025,871                   |
| Local option sales taxes                          | 2,023,620           | -                              | -                              | 2,023,620                      |
| Other taxes and licenses                          | 71,332              | -                              | 385,507                        | 456,839                        |
| Unrestricted intergovernmental                    | 64,464              | -                              | -                              | 64,464                         |
| Restricted intergovernmental                      | 2,396,548           | -                              | 39,001                         | 2,435,549                      |
| Permits and fees                                  | 152,396             | -                              | -                              | 152,396                        |
| Sales and services                                | 101,042             | -                              | -                              | 101,042                        |
| Investment earnings                               | 79,844              | 85,884                         | 14,212                         | 179,940                        |
| Miscellaneous                                     | 71,736              | -                              | -                              | 71,736                         |
| Total revenues                                    | <u>9,986,853</u>    | <u>85,884</u>                  | <u>438,720</u>                 | <u>10,511,457</u>              |
| <b>EXPENDITURES</b>                               |                     |                                |                                |                                |
| Current:  |                     |                                |                                |                                |
| General government                                | 1,207,843           | -                              | -                              | 1,207,843                      |
| Public safety                                     | 1,430,214           | -                              | 280,262                        | 1,710,476                      |
| Environmental protection                          | -                   | -                              | 46,684                         | 46,684                         |
| Economic and physical development                 | 974,133             | -                              | -                              | 974,133                        |
| Human services                                    | 2,355,389           | -                              | 1,573,778                      | 3,929,167                      |
| Cultural and recreational                         | 299,789             | -                              | -                              | 299,789                        |
| Intergovernmental:                                |                     |                                |                                |                                |
| Education   | 2,860,400           | 15,975                         | -                              | 2,876,375                      |
| Debt service:                                     |                     |                                |                                |                                |
| Principal   | 432,937             | -                              | -                              | 432,937                        |
| Interest  | 129,790             | -                              | -                              | 129,790                        |
| Total expenditures                                | <u>9,690,495</u>    | <u>15,975</u>                  | <u>1,900,724</u>               | <u>11,607,194</u>              |
| Excess (deficiency) of revenues over expenditures | <u>296,358</u>      | <u>69,909</u>                  | <u>(1,462,004)</u>             | <u>(1,095,737)</u>             |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                                |                                |                                |
| Transfers from (to) other funds                   | (177,840)           | -                              | 177,936                        | 96                             |
| Transfer from component unit                      | 2,000               | -                              | -                              | 2,000                          |
| Sale of fixed assets                              | 8,414               | -                              | -                              | 8,414                          |
| Installment purchase proceeds                     | -                   | 6,500,000                      | -                              | 6,500,000                      |
| Total other financing sources (uses)              | <u>(167,426)</u>    | <u>6,500,000</u>               | <u>177,936</u>                 | <u>6,510,510</u>               |
| Net change in fund balance                        | 128,932             | 6,569,909                      | (1,284,068)                    | 5,414,773                      |
| Fund balances-beginning                           | 1,944,283           | -                              | 81,480                         | 2,025,763                      |
| Fund balances-ending                              | <u>\$ 2,073,215</u> | <u>\$ 6,569,909</u>            | <u>\$ (1,202,588)</u>          | <u>\$ 7,440,536</u>            |

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

Gates County, North Carolina  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
For the Year Ended June 30, 2007

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

|  |                   |
|--|-------------------|
| Net changes in fund balances - total governmental funds  | \$ 5,414,773      |
| 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   | 1,498,639         |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds  | (3,457)           |
| Cost of capital asset disposed of during the year, not recognized on modified accrual basis  | (18,371)          |
| 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. | (6,061,624)       |
| 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>(75,290)</u>   |
| Total changes in net assets of governmental activities   | <u>\$ 754,670</u> |

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

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, 2007

|  | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>With Final<br>Positive<br>(Negative) |
|--|--------------------|------------------|------------------|--|
| <b>Revenues:</b>                       |                    |                  |                  |  |
| Ad valorem taxes                       | \$ 4,811,213       | \$ 4,793,413     | \$ 5,025,871     | \$ 232,458                                       |
| Local option sales tax                 | 1,827,000          | 1,890,921        | 2,023,620        | 132,699  |
| Other taxes and licenses               | 44,450             | 44,450           | 71,332           | 26,882   |
| Unrestricted intergovernmental         | 63,506             | 63,506           | 64,464           | 958  |
| Restricted intergovernmental           | 1,580,660          | 2,509,220        | 2,396,548        | (112,672)  |
| Permits and fees                       | 165,950            | 167,150          | 152,396          | (14,754)   |
| Sales and services                     | 104,169            | 104,160          | 101,042          | (3,118)  |
| Investment earnings                    | 25,100             | 42,450           | 79,844           | 37,394   |
| Miscellaneous                          | 71,678             | 79,633           | 71,736           | (7,897)  |
| Total revenues                         | <u>8,693,726</u>   | <u>9,694,903</u> | <u>9,986,853</u> | <u>291,950</u>                                   |
| <b>Expenditures</b>                    |                    |                  |                  |  |
| <b>Current:</b>                        |                    |                  |                  |  |
| General government                     | 1,256,813          | 1,254,556        | 1,207,843        | 46,713   |
| Public safety                          | 1,373,249          | 1,527,571        | 1,430,214        | 97,357   |
| Environmental protection               | -                  | -                | -                | -  |
| Economic and physical development      | 689,043            | 1,055,637        | 974,133          | 81,504   |
| Human services                         | 2,230,091          | 2,429,530        | 2,355,389        | 74,141   |
| Cultural and recreational              | 299,789            | 299,789          | 299,789          | -  |
| <b>Intergovernmental:</b>              |                    |                  |                  |  |
| Education                              | 2,435,500          | 2,860,400        | 2,860,400        | -  |
| <b>Debt service:</b>                   |                    |                  |                  |  |
| Principal retirement                   | 432,940            | 432,940          | 432,937          | 3  |
| Interest and other charges             | 129,790            | 129,790          | 129,790          | -  |
| Total expenditures                     | <u>8,847,215</u>   | <u>9,990,213</u> | <u>9,690,495</u> | <u>299,718</u>                                   |
| Revenues over (under) expenditures     | <u>(153,489)</u>   | <u>(295,310)</u> | <u>(296,358)</u> | <u>591,668</u>                                   |
| <b>Other financing sources (uses):</b> |                    |                  |                  |  |
| Transfer from other funds              | -                  | 500              | 96               | (404)  |
| Transfers to other funds               | (177,936)          | (177,936)        | (177,936)        | -  |
| Transfers from component unit          | 1,600              | 1,600            | 2,000            | 400  |
| Sale of assets                         | 4,825              | 4,825            | 8,414            | 3,589  |
| Total other financing sources (uses)   | <u>(171,511)</u>   | <u>(171,011)</u> | <u>167,426</u>   | <u>3,585</u>                                     |

(continued)

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, 2007

|                            | Original<br>Budget | Final<br>Budget | Actual              | Variance<br>With Final<br>Positive<br>(Negative) |
|----------------------------|--------------------|-----------------|---------------------|--|
| Fund balance appropriated  | 325,000            | 466,321         | -                   | (466,321)  |
| Net change in fund balance | <u>\$ -</u>        | <u>\$ -</u>     | 128,932             | <u>\$ 128,932</u>                                |
| Fund balances:             |                    |                 |                     |  |
| Beginning of year, July 1  |                    |                 | 1,944,283           |  |
| End of year, June 30       |                    |                 | <u>\$ 2,073,215</u> |  |

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

Gates County, North Carolina  
**Statement of Net Assets**  
**Proprietary Funds**  
June 30, 2007

|  | Enterprise Funds  |                     |                     |
|--|-------------------|---------------------|---------------------|
|  | Landfill<br>Fund  | Water Fund          | Total               |
| <b>ASSETS</b>                                    |                   |                     |                     |
| Current assets:                                  |                   |                     |                     |
| Cash and cash equivalents                        | \$ 29,778         | \$ 636,491          | \$ 666,269          |
| Due from other funds                             | -                 | 919,194             | 919,194             |
| Receivables, net                                 | 141,591           | 71,257              | 212,848             |
| Inventories                                      | -                 | 19,848              | 19,848              |
| Total current assets                             | <u>171,369</u>    | <u>1,646,790</u>    | <u>1,818,159</u>    |
| Capital assets:                                  |                   |                     |                     |
| Land, improvements, and construction in progress | -                 | 27,476              | 27,476              |
| Other capital assets, net of depreciation        | -                 | 5,621,999           | 5,621,999           |
| Total capital assets                             | <u>-</u>          | <u>5,649,475</u>    | <u>5,649,475</u>    |
| Total assets                                     | <u>\$ 171,369</u> | <u>\$ 7,296,265</u> | <u>\$ 7,467,634</u> |
| <b>LIABILITIES</b>                               |                   |                     |                     |
| Current liabilities:                             |                   |                     |                     |
| Accounts payable                                 | 131,512           | 28,548              | 160,060             |
| General obligation bonds payable                 | -                 | 124,227             | 124,227             |
| Total current liabilities                        | <u>131,512</u>    | <u>152,775</u>      | <u>284,287</u>      |
| Noncurrent liabilities:                          |                   |                     |                     |
| Compensated absences                             | -                 | 18,599              | 18,599              |
| General obligation bonds payable                 | -                 | 1,245,049           | 1,245,049           |
| Total noncurrent liabilities                     | <u>-</u>          | <u>1,263,648</u>    | <u>1,263,648</u>    |
| Total liabilities                                | <u>131,512</u>    | <u>1,416,423</u>    | <u>1,547,935</u>    |
| <b>NET ASSETS</b>                                |                   |                     |                     |
| Invested in capital assets, net of related debt  | -                 | 4,280,199           | 4,280,199           |
| Unrestricted                                     | 39,857            | 1,599,643           | 1,639,500           |
| Total net assets                                 | <u>\$ 39,857</u>  | <u>\$ 1,599,643</u> | <u>\$ 5,919,699</u> |

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

Gates County, North Carolina  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
For the Year Ended June 30, 2007

|  | Enterprise Funds |                     |                     |
|--|------------------|---------------------|---------------------|
|  | Landfill<br>Fund | Water Fund          | Total               |
| <b>OPERATING REVENUES</b>                      |                  |                     |                     |
| Charges for services                           | \$ 749,862       | \$ 697,572          | \$ 1,447,434        |
| Water and sewer taps                           | -                | 74,250              | 74,250              |
| Miscellaneous                                  | -                | 7,849               | 7,849               |
| <b>Total operating revenues</b>                | <u>749,862</u>   | <u>779,671</u>      | <u>1,529,533</u>    |
| <b>OPERATING EXPENSES</b>                      |                  |                     |                     |
| Administration                                 | -                | 120,954             | 120,954             |
| Water treatment, pump station and distribution | -                | 412,597             | 412,597             |
| Landfill operations                            | 756,589          | -                   | 756,589             |
| Depreciation                                   | -                | 209,310             | 209,310             |
| <b>Total operating expenses</b>                | <u>756,589</u>   | <u>742,861</u>      | <u>1,499,450</u>    |
| <b>Operating income (loss)</b>                 | <u>(6,727)</u>   | <u>36,810</u>       | <u>30,083</u>       |
| <b>NONOPERATING REVENUES (EXPENSES)</b>        |                  |                     |                     |
| Tax revenues                                   | 18,387           | -                   | 18,387              |
| Interest and investment revenue                | 178              | 36,120              | 36,298              |
| Interest expense                               | -                | (71,898)            | (71,898)            |
| Gain on sale of assets                         | -                | 3,000               | 3,000               |
| Tax refunds                                    | -                | 6,287               | 6,287               |
| <b>Total nonoperating revenue (expenses)</b>   | <u>18,565</u>    | <u>(26,491)</u>     | <u>(7,926)</u>      |
| <b>Income before transfers</b>                 | 11,838           | 10,319              | 22,157              |
| <b>Transfers to other funds</b>                | <u>(60)</u>      | <u>(36)</u>         | <u>(96)</u>         |
| <b>Change in assets</b>                        | 11,778           | 10,283              | 22,061              |
| <b>Total net assets - beginning</b>            | 28,079           | 5,869,559           | 5,897,638           |
| <b>Total net assets - ending</b>               | <u>\$ 39,857</u> | <u>\$ 5,879,842</u> | <u>\$ 5,919,699</u> |

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

Gates County, North Carolina  
**Statement of Cash Flows**  
**Enterprise Fund**  
For the Fiscal Year Ended June 30, 2007

|   | Landfill<br>Fund | Water<br>Fund     | Totals<br>June 30,<br>2007 |
|---|------------------|-------------------|----------------------------|
| <b>Cash flows from operating activities:</b>  |                  |                   |                            |
| Cash received from customers  | \$ 677,008       | \$ 766,425        | \$ 1,443,433               |
| Cash paid for goods and services  | (727,998)        | (335,365)         | (1,063,363)                |
| Cash paid to employees for services   | -                | (165,253)         | (165,253)                  |
| Other operating revenue   | -                | 7,849             | 7,849                      |
| Net cash provided (used) by operating activities                                    | <u>(50,990)</u>  | <u>273,656</u>    | <u>222,666</u>             |
| <b>Cash flows from capital and related financing activities:</b>                    |                  |                   |                            |
| Proceeds from sale of assets  | -                | 3,000             | 3,000                      |
| Acquisition and construction of capital assets                                      | -                | (81,796)          | (81,796)                   |
| Principal paid on bond maturities and equipment contracts                           | -                | (118,322)         | (118,322)                  |
| Interest paid on bond maturities and equipment contracts                            | -                | (71,898)          | (71,898)                   |
| Net cash used by capital and related financing activities                           | <u>-</u>         | <u>(269,016)</u>  | <u>(269,016)</u>           |
| <b>Cash flows from noncapital and related financing activities:</b>                 |                  |                   |                            |
| Tax refunds   | -                | 6,287             | 6,287                      |
| Tax revenues  | 18,387           | -                 | 18,387                     |
| Operating transfers out   | (60)             | (36)              | (96)                       |
| Loans to other funds  | -                | (919,194)         | (919,194)                  |
| Net cash provided (used) by noncapital and related and related financing activities | <u>18,327</u>    | <u>(912,943)</u>  | <u>(894,616)</u>           |
| <b>Cash flows from investing activities:</b>  |                  |                   |                            |
| Interest on investments   | <u>178</u>       | <u>36,120</u>     | <u>36,298</u>              |
| Net increase (decrease) in cash and cash equivalents                                | (32,485)         | (872,183)         | (904,668)                  |
| Cash and cash equivalents, July 1   | 62,263           | 1,508,674         | 1,570,937                  |
| Cash and cash equivalents, June 30  | <u>\$ 29,778</u> | <u>\$ 636,491</u> | <u>\$ 666,269</u>          |

(continued)

Gates County, North Carolina  
**Statement of Cash Flows**  
**Enterprise Fund**  
For the Fiscal Year Ended June 30, 2007

|   | Landfill<br>Fund | Water<br>Fund | Totals<br>June 30,<br>2007 |
|---|------------------|---------------|----------------------------|
|   |                  |               | (continued)                |
| <b>Reconciliation of operating income (loss)<br/>to net cash provided (used) by operating<br/>activities:</b> |                  |               |                            |
| Operating income (loss)   | \$ (6,727)       | \$ 36,810     | \$ 30,083                  |
| Adjustments to reconcile operating<br>income to net cash provided by<br>operating activities:                 |                  |               |                            |
| Depreciation  | -                | 209,310       | 209,310                    |
| Changes in assets and liabilities:  |                  |               |                            |
| (Increase) decrease in accounts receivable  | (72,854)         | (5,397)       | (78,251)                   |
| (Increase) decrease in inventory  | -                | (114)         | (114)                      |
| Increase (decrease) in accounts<br>payable and accrued liabilities  | 28,591           | 27,233        | 55,824                     |
| Increase in accrued vacation pay  | -                | 5,814         | 5,814                      |
| Total adjustments   | (44,263)         | 236,846       | 192,583                    |
| Net cash provided (used) by operating activities  | \$ (50,990)      | \$ 273,656    | \$ 222,666                 |

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

Gates County, North Carolina  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
For the Year Ended June 30, 2007

|                                   | <u>Agency<br/>Fund</u> |
|-----------------------------------|------------------------|
| <b>Assets</b>                     |                        |
| Cash and cash equivalents         | \$ 7,695               |
| <b>Liabilities and Net Assets</b> |                        |
| Liabilities:                      |                        |
| Miscellaneous liabilities         | <u>\$ 7,695</u>        |

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

Gates County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2007

**I. 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, 2007

*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.

*Grant Project Special Revenue Fund.* 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.

This fund is to account for grant funds that are restricted in use for a particular purpose.

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:

Gates County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2007

*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.

*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 judgements, and compensated absences, which are recognized 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.

Gates County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2007

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 motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, 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 2005 through February 2006 apply to the fiscal year ended June 30, 2007.

Uncollected taxes that were billed during this period are shown as a receivable on these financial statements, and are offset by deferred revenues. In addition, as of January 1, 2007, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration, the initial 2007 registration renewals will vary from 7 to 18 months after December 31, 2006. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

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

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

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

D. Budgetary Data

The County's budgets are adopted as required by 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

Gates County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2007

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.

## 3. 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, 2006.

## 4. 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.

## 5. 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 consist 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.

Gates County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For the Fiscal Year Ended June 30, 2007

**6. 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         |

**7. 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 an other financing source.

**8. 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.

**9. 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.

Gates County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For the Fiscal Year Ended June 30, 2007

Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 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.

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 2007-2008 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 are reported in the government-wide statements of net assets. The net adjustment of \$(6,407,870) 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   | \$ 2,886,414 |
| Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide 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. | 674,921      |
| Installment financing  | (9,754,418)  |

Gates County, North Carolina  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2007

|                      |                |
|----------------------|----------------|
| Compensated absences | (214,787)      |
| Total adjustment     | \$ (6,407,870) |

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 \$(4,660,103) as follows:

| Description   | Amount         |
|---|----------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities  | \$ 1,659,784   |
| Cost of disposed capital assets not recorded in the fund statements   | (18,371)       |
| 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.   | (161,145)      |
| 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  | (6,500,000)    |
| 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.  | 438,376        |
| 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.<br>Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources. | (75,290)       |
| Revenues reported in the statement of activities that do not provide current resources and are not recorded as revenues in the fund statements.<br>Reversal of deferred tax revenue recorded at 7/1/06  | (678,378)      |
| Recording of tax receipts deferred in the fund statements at 6/30/07  | 674,921        |
|   | \$ (4,660,103) |

Gates County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2007

**II. Stewardship, Compliance, and Accountability**

Deficit Fund Balance

The capital projects fund for the construction of a new DSS building has a deficit fund balance of \$1,870,853 at June 30, 2007. This will be remedied in the next fiscal year with loan proceeds.

The Single Family Home Project Fund has a deficit fund balance of \$7,683 at June 30, 2007. This will be remedied in the next fiscal year with grant proceeds.

**III. 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, 2007, the County's deposits had a carrying amount of \$7,628,562 and a bank balance of \$7,912,410. Of the bank balance, \$200,000 was covered by federal depository insurance and \$7,712,410 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2007, the carrying amount of deposits for Gates County ABC Board was \$119,625 and the bank balance was \$116,295. All of the bank balance was covered by federal depository insurance.

2. Investments

At June 30, 2007, the County's investment balances were as follows:

Gates County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For the Fiscal Year Ended June 30, 2007

| Investment Type                         | Fair Value          | Maturity  | Rating  |
|---|---------------------|-----------|---------|
| North Carolina Capital Management Trust |                     |           |         |
| Cash portfolio                          | \$ 541,342          | N/A       | AAAm    |
| Term portfolio                          | 506,126             | 0.9 years | Unrated |
| Total investments                       | <u>\$ 1,047,468</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, 2007. 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.

| Year Levied | General Fund      |                | Total            |
|-------------|-------------------|----------------|------------------|
|             | Tax               | Interest       |                  |
| 2003        | \$ 247,737        | 64,412         | 312,149          |
| 2004        | 246,930           | 59,263         | 306,193          |
| 2005        | 147,106           | 37,066         | 284,172          |
| 2006        | 247,385           | 14,843         | 262,228          |
| Total       | <u>\$ 989,158</u> | <u>175,584</u> | <u>1,164,742</u> |

Gates County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2007

**4. Receivables**

Receivables at the government-wide level at June 30, 2007, were as follows:

|   | Accounts          | Taxes             | Due from Other<br>Governments | Total               |
|---|-------------------|-------------------|-------------------------------|---------------------|
| <b>Governmental Activities:</b>         |                   |                   |                               |                     |
| General                                 | \$ 164,898        | \$ 756,020        | \$ 532,012                    | \$ 1,452,930        |
| Other Governmental                      | 30,173            | -                 | -                             | 30,173              |
| Total receivables                       | 195,071           | 756,020           | 532,012                       | 1,483,103           |
| Allowance for doubtful accounts         | -                 | (81,100)          | -                             | (81,100)            |
| <b>Total-governmental activities</b>    | <b>\$ 195,071</b> | <b>\$ 674,920</b> | <b>\$ 532,012</b>             | <b>\$ 1,402,003</b> |
| <b>Business-type Activities</b>         |                   |                   |                               |                     |
| Landfill                                | \$ 134,131        | -                 | \$ 7,460                      | \$ 141,591          |
| Water and Sewer                         | 72,337            | -                 | 6,000                         | 78,337              |
| Total receivables                       | 206,468           | -                 | 13,460                        | 219,928             |
| Allowances for doubtful accounts        | (7,080)           | -                 | -                             | (7,080)             |
| <b>Total - business-type activities</b> | <b>\$ 199,388</b> | <b>\$ -</b>       | <b>13,460</b>                 | <b>\$ 212,848</b>   |

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

|                          |                |
|--------------------------|----------------|
| Local option sales tax   | 532,012        |
| White goods disposal tax | 4,029          |
| Scrap tire tax           | 3,431          |
| <b>Total</b>             | <b>539,472</b> |

**5. Capital Assets**

Capital asset activity for the year ended June 30, 2007, was as follows:

|  | Beginning<br>Balances | Increases   | Decreases   | Ending<br>Balances  |
|--|-----------------------|-------------|-------------|---------------------|
| <b>Governmental activities:</b>                  |                       |             |             |                     |
| Capital assets not being depreciated:            |                       |             |             |                     |
| Land   | \$ 290,237            | \$ -        | \$ -        | \$ 290,237          |
| Construction in progress                         | 104,575               | 1,589,753   | -           | 1,694,328           |
| Total capital assets not being depreciated       | 394,812               | 1,589,753   | -           | 1,984,565           |
| Capital assets being depreciated:                |                       |             |             |                     |
| Buildings  | 1,606,980             | -           | -           | 1,606,980           |
| Other improvements                               | 51,519                | 6,066       | -           | 57,585              |
| Equipment  | 332,610               | 9,310       | -           | 341,920             |
| Vehicles and motorized equipment                 | 648,819               | 54,655      | 70,818      | 632,656             |
| Total capital assets being depreciated           | 2,639,928             | 70,031      | 70,818      | 2,639,141           |
| Less accumulated depreciation for:               |                       |             |             |                     |
| Buildings  | 1,106,456             | 34,199      | -           | 1,140,655           |
| Other improvements                               | 14,429                | 3,505       | -           | 17,934              |
| Equipment  | 147,704               | 23,215      | -           | 170,919             |
| Vehicles and motorized equipment                 | 360,005               | 100,226     | 52,447      | 407,784             |
| Total accumulated depreciation                   | 1,628,594             | \$ 161,145  | \$ 52,447   | 1,737,292           |
| Total capital assets being depreciated, net      | 1,011,334             | -           | -           | 901,849             |
| <b>Governmental activity capital assets, net</b> | <b>\$ 1,406,146</b>   | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 2,886,414</b> |

Gates County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2007

**Primary Government**

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

|                                   |                          |
|-----------------------------------|--------------------------|
| General government                | \$ 34,042                |
| Public safety                     | 39,190                   |
| Human services                    | 3,398                    |
| Environmental protection          | 1,380                    |
| Economic and physical development | 70,135                   |
| Cultural and recreational         | 13,000                   |
| <b>Total depreciation expense</b> | <b>\$ <u>161,145</u></b> |

|  | Beginning<br>Balances      | Increases                | Decreases               | Ending<br>Balances         |
|--|----------------------------|--------------------------|-------------------------|----------------------------|
| <b>Business-type activities:</b>                   |                            |                          |                         |                            |
| <b>Water Fund</b>                                  |                            |                          |                         |                            |
| Capital assets not being depreciated:              |                            |                          |                         |                            |
| Land   | \$ <u>27,476</u>           | \$ -                     | \$ -                    | \$ <u>27,476</u>           |
| Capital assets being depreciated:                  |                            |                          |                         |                            |
| Plant and distribution systems                     | 9,072,355                  | -                        | -                       | 9,072,355                  |
| Furniture and maintenance equipment                | 272,005                    | 70,813                   | -                       | 342,818                    |
| Vehicles   | 174,158                    | 10,983                   | 15,743                  | 169,398                    |
| <b>Total capital assets being depreciated</b>      | <b><u>9,518,518</u></b>    | <b><u>81,796</u></b>     | <b><u>15,743</u></b>    | <b><u>9,584,571</u></b>    |
| Less accumulated depreciation for:                 |                            |                          |                         |                            |
| Plant and distribution systems                     | 3,474,697                  | 181,447                  | -                       | 3,656,144                  |
| Furniture and maintenance equipment                | 184,284                    | 14,999                   | -                       | 199,283                    |
| Vehicles   | 110,024                    | 12,863                   | 15,743                  | 107,144                    |
| <b>Total accumulated depreciation</b>              | <b><u>3,769,005</u></b>    | <b><u>\$ 209,309</u></b> | <b><u>\$ 15,743</u></b> | <b><u>3,962,571</u></b>    |
| <b>Total capital assets being depreciated, net</b> | <b><u>5,749,513</u></b>    |                          |                         | <b><u>5,622,000</u></b>    |
| <b>Water Fund capital assets, net</b>              | <b><u>\$ 5,776,989</u></b> |                          |                         | <b><u>\$ 5,649,476</u></b> |

**Construction commitments**

The government has active construction projects as of June 30, 2007. These projects include the Grant Project Fund and the DSS Construction Project. At June 30, 2007, the governments commitments with contractors are as follows:

| Project                  | Spent to Date              | Remaining<br>Commitment |
|--------------------------|----------------------------|-------------------------|
| DSS construction project | 1,870,853                  | 29,147                  |
| School construction fund | 15,975                     | 6,484,025               |
| <b>Total</b>             | <b><u>\$ 1,886,828</u></b> | <b><u>6,513,172</u></b> |

**Discretely presented component units**

Activity for the ABC Board for the year ended June 30, 2007, was as follows:

Gates County, North Carolina  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2007

|  | Beginning<br>Balances | Increases | Decreases | Ending<br>Balances |
|--|-----------------------|-----------|-----------|--------------------|
| 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      | 44,483                | -         | -         | 44,483             |
| Total capital assets being depreciated | 102,272               | -         | -         | 102,272            |
| Less accumulated depreciation for:     |                       |           |           |                    |
| Buildings and improvements             | 53,929                | 233       | -         | 54,162             |
| Furniture, fixtures and equipment      | 29,969                | 3,189     | -         | 33,158             |
| Total accumulated depreciation         | 83,898                | \$ 3,422  | \$ -      | 87,320             |
| <b>ABC capital assets, net</b>         | <b>\$ 22,719</b>      |           |           | <b>\$ 19,297</b>   |

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2007, were as follows:

|                                  | Vendors    |
|----------------------------------|------------|
| Governmental Activities:         |            |
| General                          | \$ 265,795 |
| Other Governmental               | 55,899     |
| Total - governmental activities  | \$ 321,694 |
| Business-type Activities:        |            |
| Landfill                         | \$ 131,512 |
| Water                            | 28,548     |
| Total - business-type activities | \$ 160,060 |

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.

Gates County, North Carolina  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2007

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 4.91% and 4.78%, 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, 2007, 2006 and 2005 were \$93,161, \$88,948, and \$79,020 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2007, 2006, and 2005 were \$1,793, \$1,803, and \$1,913, 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, 2007, the Separation Allowance's membership consisted of:

|  |                              |
|--|------------------------------|
| Terminated plan members entitled to but not yet receiving benefits | 0                            |
| Active plan members  | 9                            |
| Total  | <hr style="width: 100%;"/> 9 |

A separate report was not issued for the plan.

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.

Gates County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2007

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, 2007 were \$15,111, which consisted of \$14,511 from the County and \$600 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, 2007, the County's required and actual contributions were \$3,113.

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, 2007, the County made payments for post-retirement health benefit premiums of \$13,508. 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.

Gates County, North Carolina  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2007

Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2007 the County made contributions to the State for death benefits of \$2,261. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .14% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

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<br>Deferred<br>Revenue | Full Accrual<br>Unearned<br>Revenue |
|--|------------------------------------|-------------------------------------|
| Prepaid taxes not yet earned (General) | \$ -                               | 48,412                              |
| Taxes receivable, net (General)        | 674,921                            | -                                   |
| Total                                  | \$ 674,921                         | 48,412                              |

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.

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.

Gates County, North Carolina  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2007

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.

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%.

For Gates County, the future minimum payments as of June 30, 2007, including \$2,435,235 of interest, for governmental activities and \$342,702 of interest in business type activities are:

| <u>Year Ending June 30</u> | <u>Governmental Activities</u> |                  | <u>Business-type Activities</u> |                 |
|----------------------------|--------------------------------|------------------|---------------------------------|-----------------|
|                            | <u>Principal</u>               | <u>Interest</u>  | <u>Principal</u>                | <u>Interest</u> |
| 2008                       | \$ 887,896                     | 378,404          | 124,227                         | 65,993          |
| 2009                       | 904,681                        | 335,272          | 130,427                         | 59,793          |
| 2010                       | 922,086                        | 300,621          | 136,936                         | 53,284          |
| 2011                       | 940,134                        | 265,326          | 143,770                         | 46,449          |
| 2012                       | 952,097                        | 229,364          | 150,946                         | 39,274          |
| 2013-2017                  | 2,980,858                      | 689,106          | 682,970                         | 77,909          |
| 2018-2022                  | 2,166,667                      | 237,142          | -                               | -               |
| Total                      | <u>\$ 9,754,419</u>            | <u>2,435,235</u> | <u>1,369,276</u>                | <u>342,702</u>  |

At June 30, 2007, Gates County, North Carolina had a legal debt margin of \$33,632,955.

Gates County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2007

**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, 2007:

|                                       | Balance<br>July 1, 2006 | Increases        | Decreases      | Balance<br>June 30,<br>2007 | Current Portion<br>of Balance |
|---------------------------------------|-------------------------|------------------|----------------|-----------------------------|-------------------------------|
| <b>Governmental activities:</b>       |                         |                  |                |                             |                               |
| Installment purchase obligations      | \$ 3,692,795            | 6,500,000        | 438,376        | 9,754,419                   | 887,896                       |
| Compensated absences                  | 139,496                 | 75,291           | -              | 214,787                     | -                             |
| <b>Total governmental activities</b>  | <b>\$ 3,832,291</b>     | <b>6,575,291</b> | <b>438,376</b> | <b>9,969,206</b>            | <b>887,896</b>                |
| <b>Business-type activities:</b>      |                         |                  |                |                             |                               |
| Installment purchase obligation       | \$ 1,487,598            | -                | 118,322        | 1,369,276                   | 124,227                       |
| Compensated absences                  | 12,783                  | 5,816            | -              | 18,599                      | -                             |
| <b>Total business-type activities</b> | <b>\$ 1,500,381</b>     | <b>5,816</b>     | <b>118,322</b> | <b>1,387,875</b>            | <b>124,227</b>                |

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. Interfund Balances and Activity**

Transfers to/from other funds

Transfers to/from other funds at June 30, 2007 consists of the following:

|  |                   |
|--|-------------------|
| From the General Fund to the School Capital Reserve Fund to accumulate Resources for construction                    | \$ 147,936        |
| From the General Fund to the Revaluation Fund to accumulate resources for the octennial revaluation of real property | \$ 20,000         |
| From the General Fund to the Capital Reserve Fund to accumulate resources for renovations                            | 10,000            |
| From the Landfill Fund to the General fund for operating expenses  | 60                |
| From the Water Fund to the General Fund for operating purposes   | 36                |
| <b>Total</b>   | <b>\$ 178,032</b> |

**IV. 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.

Gates County, North Carolina  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2007

In accordance with the intergovernmental agreement between the participating governments, the County paid \$738,203 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, 2007. 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, 2007. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$104,292 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, 2007. 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.

**V. 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 \$1,470 to the Commission during the fiscal year ended June 30, 2007.

**VI. 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.

Gates County, North Carolina  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For the Fiscal Year Ended June 30, 2007

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           | \$ 7,684,518 | \$ 3,767,897 |
| Food Stamp Program | 1,182,269    | -            |
| TANF               | 90,394       | -            |
| Domiciliary Care   | -            | 104,696      |
| Energy Assistance  | 32,386       | -            |
| Title IV-E         | 3,967        | 988          |
|                    | 8,993,534    | 3,873,581    |

**VII. 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.

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, 2007

|  | Budget           | Actual           | Variance<br>Positive<br>(Negative) |
|--|------------------|------------------|------------------------------------|
| <b>Revenues:</b>                       |                  |                  |                                    |
| <b>Ad valorem taxes:</b>               |                  |                  |                                    |
| Taxes                                  | \$ -             | \$ 4,937,849     | \$ -                               |
| Penalties and interest                 | -                | 88,022           | -                                  |
| <b>Total</b>                           | <b>4,793,413</b> | <b>5,025,871</b> | <b>232,458</b>                     |
| <b>Local option sales taxes:</b>       |                  |                  |                                    |
| Article 39                             | -                | 362,092          | -                                  |
| Article 40 one - half of one percent   | -                | 655,660          | -                                  |
| Article 42 one - half of one percent   | -                | 654,465          | -                                  |
| Article 44                             | -                | 351,403          | -                                  |
| <b>Total</b>                           | <b>1,890,921</b> | <b>2,023,620</b> | <b>132,699</b>                     |
| <b>Other taxes and licenses:</b>       |                  |                  |                                    |
| Tax refunds                            | -                | 25,740           | -                                  |
| Deed stamp excise tax                  | -                | 45,347           | -                                  |
| Privilege licenses                     | -                | 245              | -                                  |
| <b>Total</b>                           | <b>44,450</b>    | <b>71,332</b>    | <b>26,882</b>                      |
| <b>Unrestricted intergovernmental:</b> |                  |                  |                                    |
| Payments in lieu of taxes              | -                | 15,070           | -                                  |
| Beer and wine tax                      | -                | 49,394           | -                                  |
| <b>Total</b>                           | <b>63,506</b>    | <b>64,464</b>    | <b>958</b>                         |
| <b>Restricted intergovernmental:</b>   |                  |                  |                                    |
| Department of Transportation           | -                | 159,839          | -                                  |
| Support our students                   | -                | 71,769           | -                                  |
| School age child care                  | -                | 34,071           | -                                  |
| New Choices                            | -                | 10,000           | -                                  |
| CBA Genesis                            | -                | 28,686           | -                                  |
| Divorce fees                           | -                | 70,131           | -                                  |
| ROAP                                   | -                | 98,707           | -                                  |
| United Way                             | -                | 2,962            | -                                  |
| Smart Start                            | -                | 29,974           | -                                  |
| HCCBG grant                            | -                | 39,146           | -                                  |
| Work experience                        | -                | 19,594           | -                                  |
| HAVA grant                             | -                | 6,202            | -                                  |
| Making a job                           | -                | 38,159           | -                                  |
| Public School Building Capital Fund    | -                | 229,400          | -                                  |
| Baby Love grant                        | -                | 25,623           | -                                  |
| Lottery Proceeds                       | -                | 195,500          | (cont.)                            |

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, 2007

|                                      | Budget           | Actual           | Variance<br>Positive<br>(Negative) |
|--------------------------------------|------------------|------------------|------------------------------------|
| School Resource Office               | -                | 22,556           |                                    |
| Juvenile Crime Prevention            | -                | 33,831           | -                                  |
| Social service grants                | -                | 266,988          | -                                  |
| Workforce Youth Development          | -                | 1,733            | -                                  |
| Soil conservation grant              | -                | 25,300           | -                                  |
| Day care grants                      | -                | 383,618          | -                                  |
| Emergency Management                 | -                | 13,173           | -                                  |
| Court facilities fees                | -                | 25,346           | -                                  |
| ABC bottle tax                       | -                | 1,850            | -                                  |
| Other federal and state grants       | -                | 57,390           | -                                  |
| Total                                | <u>2,509,220</u> | <u>2,396,548</u> | <u>(112,672)</u>                   |
| <b>Permits and fees:</b>             |                  |                  |                                    |
| Building permits                     | -                | 91,280           | -                                  |
| Register of deeds                    | -                | 61,116           | -                                  |
| Total                                | <u>167,150</u>   | <u>152,396</u>   | <u>(14,754)</u>                    |
| <b>Sales and services:</b>           |                  |                  |                                    |
| Transportation fares                 | -                | 30,304           | -                                  |
| Rents, concessions, and fees         | -                | 40,793           | -                                  |
| Jail fees                            | -                | 29,945           | -                                  |
| Total                                | <u>104,160</u>   | <u>101,042</u>   | <u>(3,118)</u>                     |
| <b>Investment earnings</b>           | <u>42,450</u>    | <u>79,844</u>    | <u>37,394</u>                      |
| <b>Miscellaneous:</b>                |                  |                  |                                    |
| Administrative expense reimbursement | -                | 49,000           | -                                  |
| Insurance reimbursement              | -                | 5,721            | -                                  |
| Other                                | -                | 17,015           | -                                  |
| Total                                | <u>79,633</u>    | <u>71,736</u>    | <u>(7,897)</u>                     |
| Total revenues                       | <u>9,694,903</u> | <u>9,986,853</u> | <u>291,950</u>                     |
| <b>Expenditures:</b>                 |                  |                  |                                    |
| <b>General government:</b>           |                  |                  |                                    |
| Governing body:                      |                  |                  |                                    |
| Salaries and employee benefits       | -                | 70,724           | -                                  |
| Operating expenses                   | -                | 90,886           | -                                  |
| Capital outlay                       | -                | 1,739            | -                                  |
| Total                                | <u>176,511</u>   | <u>163,349</u>   | <u>13,162</u>                      |

(cont.)

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, 2007

|                                    | Budget           | Actual           | Variance<br>Positive<br>(Negative) |
|------------------------------------|------------------|------------------|------------------------------------|
| <b>Administration:</b>             |                  |                  |                                    |
| Salaries and employee benefits     | -                | 152,517          | -                                  |
| Operating expenses                 | -                | 93,342           | -                                  |
| Capital outlay                     | -                | 4,810            | -                                  |
| <b>Total</b>                       | <u>254,662</u>   | <u>250,669</u>   | <u>3,993</u>                       |
| <b>Elections:</b>                  |                  |                  |                                    |
| Salaries and employee benefits     | -                | 43,315           | -                                  |
| Operating expenses                 | -                | 22,150           | -                                  |
| <b>Total</b>                       | <u>69,871</u>    | <u>65,465</u>    | <u>4,406</u>                       |
| <b>Taxes:</b>                      |                  |                  |                                    |
| Salaries and employee benefits     | -                | 157,152          | -                                  |
| Operating expenses                 | -                | 99,568           | -                                  |
| Capital outlay                     | -                | 17,539           | -                                  |
| <b>Total</b>                       | <u>286,843</u>   | <u>274,259</u>   | <u>12,584</u>                      |
| <b>Legal:</b>                      |                  |                  |                                    |
| Contracted services                | 4,000            | 3,189            | 811                                |
| <b>Register of deeds:</b>          |                  |                  |                                    |
| Salaries and employee benefits     | -                | 83,220           | -                                  |
| Operating expenses                 | -                | 26,881           | -                                  |
| Capital outlay                     | -                | 3,305            | -                                  |
| <b>Total</b>                       | <u>117,398</u>   | <u>113,406</u>   | <u>3,992</u>                       |
| <b>Public buildings:</b>           |                  |                  |                                    |
| Salaries and employee benefits     | -                | 78,102           | -                                  |
| Operating expenses                 | -                | 227,905          | -                                  |
| <b>Total</b>                       | <u>312,747</u>   | <u>306,007</u>   | <u>6,734</u>                       |
| <b>Court facilities:</b>           |                  |                  |                                    |
| Operating expenses                 | 32,530           | 31,499           | 1,031                              |
| <b>Total general government</b>    | <u>1,254,556</u> | <u>1,207,843</u> | <u>46,713</u>                      |
| <b>Public safety:</b>              |                  |                  |                                    |
| <b>Sheriff and communications:</b> |                  |                  |                                    |
| Salaries and employee benefits     | -                | 670,793          | -                                  |
| Operating expenses                 | -                | 103,643          | -                                  |
| Capital outlay                     | -                | 46,747           | -                                  |
| <b>Total</b>                       | <u>872,936</u>   | <u>821,183</u>   | <u>51,753</u>                      |

(cont.)

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, 2007

|   | Budget    | Actual    | Variance<br>Positive<br>(Negative) |
|---|-----------|-----------|------------------------------------|
| Jail:                                     |           |           |                                    |
| Other operating expenditures              | 312,000   | 288,690   | 23,310                             |
| Emergency management:                     |           |           |                                    |
| Operating expenses                        | 19,700    | 17,755    | 1,945                              |
| Fire:                                     |           |           |                                    |
| Forest fire protection                    | 55,483    | 49,646    | 5,837                              |
| Rescue squad:                             |           |           |                                    |
| Allocation                                | 12,000    | 12,000    | -                                  |
| Building inspector:                       |           |           |                                    |
| Salaries and employee benefits            | -         | 151,014   | -                                  |
| Operating expenses                        | -         | 27,602    | -                                  |
| Total                                     | 190,452   | 178,616   | 11,836                             |
| Medical examiner:                         |           |           |                                    |
| Professional services                     | 4,000     | 1,400     | 2,600                              |
| Animal control:                           |           |           |                                    |
| Operating expenses                        | 61,000    | 60,924    | 76                                 |
| Total public safety                       | 1,527,571 | 1,430,214 | 97,357                             |
| <b>Economic and physical development:</b> |           |           |                                    |
| Agricultural extension:                   |           |           |                                    |
| Salaries and employee benefits            | -         | 114,061   | -                                  |
| Operating expenses                        | -         | 15,620    | -                                  |
| Capital outlay                            | -         | 3,907     | -                                  |
| Total                                     | 134,758   | 133,588   | 1,170                              |
| Soil and water conservation:              |           |           |                                    |
| Salaries and employee benefits            | -         | 76,846    | -                                  |
| Operating expenses                        | -         | 2,948     | -                                  |
| Total                                     | 80,341    | 79,794    | 547                                |
| Zoning:                                   |           |           |                                    |
| Operating expenses                        | 20,400    | 13,609    | 6,791                              |

(cont.)

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, 2007

|  | Budget               | Actual             | Variance<br>Positive<br>(Negative) |
|--|----------------------|--------------------|------------------------------------|
| Albemarle Commission                           | 1,470                | 1,470              | -                                  |
| <b>Cooperative Extension Service:</b>          |                      |                    |                                    |
| Support our Students                           | -                    | 71,782             | -                                  |
| Genesis  | -                    | 28,233             | -                                  |
| New Choices                                    | -                    | 10,000             | -                                  |
| School Age Child Care                          | -                    | 21,316             | -                                  |
| Life smarts                                    | -                    | -                  | -                                  |
| Making a job                                   | -                    | 44,753             | -                                  |
| Work Experience Grant                          | -                    | 18,213             | -                                  |
| Divorce filing fee expense                     | -                    | 58,040             | -                                  |
| Gang Grant                                     | -                    | 11,990             | -                                  |
| 4-H Program                                    | -                    | 18,938             | -                                  |
| Baby Love Grant                                | -                    | 43,113             | -                                  |
| SHIIP Grant                                    | -                    | 2,432              | -                                  |
| Workforce Youth Development                    | -                    | -                  | -                                  |
| Science Camp                                   | -                    | 8,554              | -                                  |
| <b>Total</b>                                   | <b>363,544</b>       | <b>337,364</b>     | <b>26,180</b>                      |
| <b>GITS:</b>                                   |                      |                    |                                    |
| Salaries and employee benefits                 | -                    | 225,293            | -                                  |
| Operating expenses                             | -                    | 151,342            | -                                  |
| Capital outlay                                 | -                    | 31,673             | -                                  |
| <b>Total</b>                                   | <b>455,124</b>       | <b>408,308</b>     | <b>46,816</b>                      |
| <br>Total economic and physical<br>development | <br><b>1,055,637</b> | <br><b>974,133</b> | <br><b>81,504</b>                  |
| <b>Human services:</b>                         |                      |                    |                                    |
| Health:  |                      |                    |                                    |
| Janitorial services - Health Dept.             | -                    | 4,292              | -                                  |
| County's share - Albemarle                     |                      |                    |                                    |
| Regional Health Services                       | -                    | 100,000            | -                                  |
| Contribution - Roanoke Chowan                  |                      |                    |                                    |
| Mental Health Center                           | -                    | 39,726             | -                                  |
| Albemarle Hopeline                             | -                    | 500                | -                                  |
| Mosquito control                               | -                    | 14,231             | -                                  |
| <b>Total</b>                                   | <b>160,034</b>       | <b>158,749</b>     | <b>1,285</b>                       |
| <b>Social services:</b>                        |                      |                    |                                    |
| Administration:                                |                      |                    |                                    |
| Salaries and employee benefits                 | -                    | 798,585            | -                                  |
| Other operating expenditures                   | -                    | 72,546             | -                                  |
| <b>Total</b>                                   | <b>869,764</b>       | <b>871,131</b>     | <b>(1,367)</b>                     |

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, 2007

|                                       | Budget    | Actual    | Variance<br>Positive<br>(Negative) |
|---------------------------------------|-----------|-----------|------------------------------------|
| <b>Special assistance for adults:</b> |           |           |                                    |
| County participation                  | 104,666   | 104,696   | (30)                               |
| <b>Medicaid:</b>                      |           |           |                                    |
| County participation                  | 665,337   | 664,887   | 450                                |
| <b>Special social services:</b>       |           |           |                                    |
| Food stamp program                    | -         | 5,618     | -                                  |
| Day care                              | -         | 383,805   | -                                  |
| Medicaid transportation               | -         | 41,464    | -                                  |
| Crisis intervention                   | -         | 26,908    | -                                  |
| N. C. Blind Commission                | -         | 859       | -                                  |
| Domestic Violence                     | -         | 20,950    | -                                  |
| Work First                            | -         | 13,362    | -                                  |
| CPS & independent living              | -         | 500       | -                                  |
| Others                                | -         | 7,169     | -                                  |
| Total                                 | 551,752   | 500,635   | 51,117                             |
| Total social services                 | 2,191,519 | 2,141,349 | 50,170                             |
| <b>Special appropriations:</b>        |           |           |                                    |
| CAMA land use                         | -         | -         | -                                  |
| Veterans service                      | -         | 4,000     | -                                  |
| Juvenile Crime Prevention             | -         | 41,541    | -                                  |
| Others                                | -         | 9,750     | -                                  |
| Total special appropriations          | 77,977    | 55,291    | 22,686                             |
| Total human services                  | 2,429,530 | 2,355,389 | 74,141                             |
| <b>Cultural and recreational:</b>     |           |           |                                    |
| <b>Community Center:</b>              |           |           |                                    |
| Operating expenses                    | 210,130   | 210,130   | -                                  |
| <b>Libraries:</b>                     |           |           |                                    |
| Operating expenses                    | 89,659    | 89,659    | -                                  |
| Total culture and recreation          | 299,789   | 299,789   | -                                  |
| <b>Education:</b>                     |           |           |                                    |
| Public schools - current              | -         | 2,329,000 | -                                  |
| Public schools - capital outlay       | -         | 513,900   | -                                  |

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, 2007

|  | Budget           | Actual              | Variance<br>Positive<br>(Negative) |
|--|------------------|---------------------|------------------------------------|
| Community Colleges   | -                | 17,500              | -                                  |
| Total education  | <u>2,860,400</u> | <u>2,860,400</u>    | <u>-</u>                           |
| <b>Debt service:</b>   |                  |                     |                                    |
| Principal retirement   | -                | 432,937             | -                                  |
| Interest and other charges   | -                | 129,790             | -                                  |
| Total debt service   | <u>562,730</u>   | <u>562,727</u>      | <u>3</u>                           |
| Total expenditures   | <u>9,990,213</u> | <u>9,690,495</u>    | <u>299,718</u>                     |
| <b>Revenues over (under) expenditures</b>  | <u>(295,310)</u> | <u>296,358</u>      | <u>591,668</u>                     |
| <b>Other financing sources (uses):</b>   |                  |                     |                                    |
| Transfers to other funds:  |                  |                     |                                    |
| Special Revenue Funds  | (177,936)        | (177,936)           | -                                  |
| Transfer from other funds:   |                  |                     |                                    |
| Enterprise Funds   | 500              | 96                  | (404)                              |
| Transfers from component unit:   |                  |                     |                                    |
| Gates County ABC Board   |                  |                     |                                    |
| Profit distribution  | 1,600            | 2,000               | 400                                |
| Sale of fixed assets   | 4,825            | 8,414               | 3,589                              |
| Total other financing sources (uses)   | <u>(171,011)</u> | <u>(167,426)</u>    | <u>3,585</u>                       |
| <b>Appropriated Fund Balance</b>   | <u>466,321</u>   | <u>-</u>            | <u>(466,321)</u>                   |
| Total other financing sources (uses) and appropriated fund balance   | <u>295,310</u>   | <u>(167,426)</u>    | <u>(462,736)</u>                   |
| <b>Revenues and other financing sources and appropriated fund balance over expenditures and other financing uses</b> | <u>\$ -</u>      | <u>128,932</u>      | <u>\$ 128,932</u>                  |
| <b>Fund balances:</b>  |                  |                     |                                    |
| Beginning of year, July 1  |                  | 1,944,283           |                                    |
| End of year, June 30   |                  | <u>\$ 2,073,215</u> |                                    |

Gates County, North Carolina  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
 June 30, 2007

|   | Special Revenue Funds |                             |                            |                           |
|---|-----------------------|-----------------------------|----------------------------|---------------------------|
|   |                       | Emergency                   |                            |                           |
|   | Revaluation<br>Fund   | Telephone<br>System<br>Fund | Fire<br>Protection<br>Fund | School Capital<br>Reserve |
| <b>ASSETS</b>                               |                       |                             |                            |                           |
| Cash and cash equivalents                   | \$ 126,090            | \$ 341,338                  | \$ 12,273                  | \$ 151,017                |
| Accounts receivable, net                    | -                     | 26,695                      | -                          |                           |
| <b>Total assets</b>                         | <b>\$ 126,090</b>     | <b>\$ 368,033</b>           | <b>\$ 12,273</b>           | <b>\$ 151,017</b>         |
| <br><b>LIABILITIES AND FUND BALANCES</b>    |                       |                             |                            |                           |
| Liabilities:                                |                       |                             |                            |                           |
| Due to other funds                          | \$ -                  | \$ -                        | \$ -                       | -                         |
| Accounts payable and<br>accrued liabilities | -                     | -                           | 12,273                     | -                         |
| <b>Total liabilities</b>                    | <b>-</b>              | <b>-</b>                    | <b>12,273</b>              | <b>-</b>                  |
| <br>Fund balances:                          |                       |                             |                            |                           |
| Reserved by state statute                   | -                     | 26,695                      | -                          | -                         |
| Unreserved                                  | 126,090               | 341,338                     | -                          | 151,017                   |
| <b>Total fund balances</b>                  | <b>126,090</b>        | <b>368,033</b>              | <b>-</b>                   | <b>151,017</b>            |
| <b>Total liabilities and fund balances</b>  | <b>\$ 126,090</b>     | <b>\$ 368,033</b>           | <b>\$ 12,273</b>           | <b>\$ 151,017</b>         |

| Special Revenue Funds |                                  | Capital Project Funds                |                          |  |                   | Total Nonmajor Governmental Funds |
|-----------------------|----------------------------------|--------------------------------------|--------------------------|--|-------------------|-----------------------------------|
| Capital Reserve Fund  | Single Family Home Grant Project | Total Nonmajor Special Revenue Funds | DSS Construction Project |  |                   |                                   |
| \$ 30,808             | \$ -                             | \$ 661,526                           | \$ -                     |  | \$ 661,526        |                                   |
| -                     |                                  | 26,695                               | 3,478                    |  | 30,173            |                                   |
| <u>\$ 30,808</u>      | <u>\$ -</u>                      | <u>\$ 688,221</u>                    | <u>\$ 3,478</u>          |  | <u>\$ 691,699</u> |                                   |
|                       |                                  |                                      |                          |  |                   |                                   |
| \$ -                  | \$ 5,083                         | \$ 5,083                             | \$ 1,833,305             |  | \$ 1,838,388      |                                   |
| -                     | 2,600                            | 14,873                               | 41,026                   |  | 55,899            |                                   |
| <u>-</u>              | <u>7,683</u>                     | <u>19,956</u>                        | <u>1,874,331</u>         |  | <u>1,894,287</u>  |                                   |
|                       |                                  |                                      |                          |  |                   |                                   |
| -                     |                                  | 26,695                               | -                        |  | 26,695            |                                   |
| 30,808                | (7,683)                          | 641,570                              | (1,870,853)              |  | (1,229,283)       |                                   |
| 30,808                | (7,683)                          | 668,265                              | (1,870,853)              |  | (1,202,588)       |                                   |
| <u>\$ 30,808</u>      | <u>\$ -</u>                      | <u>\$ 668,221</u>                    | <u>\$ 3,478.00</u>       |  | <u>\$ 691,699</u> |                                   |

Gates County, North Carolina  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
For the Year Ended June 30, 2007

|   | Special Revenue Funds |  |                            |                       |
|---|-----------------------|--|----------------------------|-----------------------|
|   | Revaluation<br>Fund   | Emergency<br>Telephone<br>System<br>Fund | Fire<br>Protection<br>Fund | Grant Project<br>Fund |
| <b>REVENUES</b>                                   |                       |  |                            |                       |
| Restricted intergovernmental                      | \$ -                  | \$ -                                     | \$ -                       | \$ 35,968             |
| Other taxes and licenses                          | -                     | 167,263                                  | 218,244                    | -                     |
| Investment earnings                               | 2,807                 | 6,847                                    | 803                        | -                     |
| <b>Total revenues</b>                             | <b>2,807</b>          | <b>174,110</b>                           | <b>219,047</b>             | <b>35,968</b>         |
| <b>EXPENDITURES</b>                               |                       |  |                            |                       |
| Current:  |                       |  |                            |                       |
| Public safety                                     | -                     | 60,293                                   | 219,969                    | -                     |
| Economic and physical development                 | -                     | -  | -                          | 35,968                |
| Human services                                    | -                     | -  | -                          | -                     |
| <b>Total expenditures</b>                         | <b>-</b>              | <b>60,293</b>                            | <b>219,969</b>             | <b>35,968</b>         |
| Excess (deficiency) of revenues over expenditures | 2,807                 | 113,817                                  | (922)                      | -                     |
| <b>OTHER FINANCING SOURCES</b>                    |                       |  |                            |                       |
| Transfers from other funds                        | 20,000                | -  | -                          | -                     |
| <b>Net change in fund balances</b>                | <b>22,807</b>         | <b>113,817</b>                           | <b>(922)</b>               | <b>-</b>              |
| Fund balances - beginning                         | 103,283               | 254,216                                  | 922                        | -                     |
| <b>Fund balances - ending</b>                     | <b>\$ 126,090</b>     | <b>\$ 368,033</b>                        | <b>\$ -</b>                | <b>\$ -</b>           |

| Special Revenue Funds  |                      |                                  |                                      | Capital Project Funds    |                                   |
|------------------------|----------------------|----------------------------------|--------------------------------------|--------------------------|-----------------------------------|
| School Capital Reserve | Capital Reserve Fund | Single Family Home Grant Project | Total Nonmajor Special Revenue Funds | DSS Construction Project | Total Nonmajor Governmental Funds |
| \$ -                   | \$ -                 | \$ 3,033                         | \$ 39,001                            | \$ -                     | \$ 39,001                         |
| -                      | -                    | -                                | 385,507                              | -                        | 385,507                           |
| 3,081                  | 674                  | -                                | 14,212                               | -                        | 14,212                            |
| 3,081                  | 674                  | 3,033                            | 438,720                              | -                        | 438,720                           |
| -                      | -                    | -                                | 280,262                              | -                        | 280,262                           |
| -                      | -                    | 10,716                           | 46,684                               | -                        | 46,684                            |
| -                      | -                    | -                                | -                                    | 1,573,778                | 1,573,778                         |
| -                      | -                    | 10,716                           | 326,946                              | (1,573,778)              | 1,900,724                         |
| 3,081                  | 674                  | (7,683)                          | 111,774                              | (1,573,778)              | (1,462,004)                       |
| 147,936                | 10,000               | -                                | 177,936                              | -                        | 177,936                           |
| 151,017                | 10,674               | (7,683)                          | 289,710                              | (1,573,778)              | (1,284,068)                       |
| -                      | 20,134               | -                                | 378,555                              | (297,075)                | 81,480                            |
| \$ 151,017             | \$ 30,808            | \$ (7,683)                       | \$ 668,265                           | \$ (1,870,853)           | \$ (1,202,588)                    |

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, 2007

|   | 2007        |                   | Variance<br>Positive<br>(Negative) |
|---|-------------|-------------------|------------------------------------|
|   | Budget      | Actual            |                                    |
| Revenues  |             |                   |                                    |
| Investment earnings                                     | \$ -        | \$ 2,807          | \$ 2,807                           |
| Expenditures  | 20,000      | -                 | 20,000                             |
| Revenues over (under) expenditures                      | (20,000)    | 2,807             | 22,807                             |
| Other financing sources:                                |             |                   |                                    |
| Operating transfer in:                                  |             |                   |                                    |
| General Fund  | 20,000      | 20,000            | -                                  |
| Revenues and other sources over<br>(under) expenditures | <u>\$ -</u> | 22,807            | <u>\$ 22,807</u>                   |
| Fund balances:  |             |                   |                                    |
| Beginning of year, July 1                               |             | 103,283           |                                    |
| End of year, June 30                                    |             | <u>\$ 126,090</u> |                                    |

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, 2007

|                                   | 2007           |                          | Variance<br>Positive<br>(Negative) |
|-----------------------------------|----------------|--------------------------|------------------------------------|
|                                   | Budget         | Actual                   |                                    |
| <b>Revenues</b>                   |                |                          |                                    |
| Other taxes and licenses          | \$ -           | \$ 167,263               | \$ -                               |
| Investment earnings               | -              | 6,847                    | -                                  |
| <b>Total revenues</b>             | <u>118,878</u> | <u>174,110</u>           | <u>55,232</u>                      |
| <b>Expenditures</b>               |                |                          |                                    |
| Public safety                     | <u>118,878</u> | <u>60,293</u>            | <u>58,585</u>                      |
| <b>Revenues over expenditures</b> | <u>-</u>       | <u>113,817</u>           | <u>113,817</u>                     |
| <b>Fund balances:</b>             |                |                          |                                    |
| Beginning of year, July 1         |                | <u>254,216</u>           |                                    |
| End of year, June 30              |                | <u><u>\$ 368,033</u></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, 2007

|                            | 2007           |                | Variance<br>Positive<br>(Negative) |
|----------------------------|----------------|----------------|------------------------------------|
|                            | Budget         | Actual         |                                    |
| Revenues:                  |                |                |                                    |
| Fire protection fees       | \$ -           | \$ 218,244     | \$ -                               |
| Investment earnings        | -              | 803            | -                                  |
| Total revenues             | <u>275,000</u> | <u>219,047</u> | <u>(55,953)</u>                    |
| Expenditures:              |                |                |                                    |
| Volunteer fire department  | <u>275,000</u> | <u>219,969</u> | <u>55,031</u>                      |
| Revenues over expenditures | <u>\$ -</u>    | <u>(922)</u>   | <u>\$ (922)</u>                    |
| Fund balances:             |                |                |                                    |
| Beginning of year, July 1  |                | <u>922</u>     |                                    |
| End of year, June 30       |                | <u>\$ -</u>    |                                    |

Gates County, North Carolina  
**Grant Project Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
For the Fiscal Year Ended June 30, 2007

|                                      | Budget         | Actual         |                 |                  | Variance<br>Positive<br>(Negative) |
|--------------------------------------|----------------|----------------|-----------------|------------------|------------------------------------|
|                                      |                | Prior<br>Years | Current<br>Year | Total<br>to Date |                                    |
| Revenues:                            |                |                |                 |                  |                                    |
| Restricted intergovernmental<br>CDBG | \$ 400,000     | \$ 364,032     | \$ 35,968       | \$ 400,000       | \$ -                               |
| Expenditures:                        |                |                |                 |                  |                                    |
| Economic and physical development    |                |                |                 |                  |                                    |
| Clearance                            | 40,000         | 37,081         | 3,572           | 40,653           | (653)                              |
| Relocation                           | 28,000         | 21,285         | 4,329           | 25,614           | 2,386                              |
| Rehabilitation                       | 292,000        | 286,666        | 7,067           | 293,733          | (1,733)                            |
| Administration                       | 40,000         | 19,000         | 21,000          | 40,000           | -                                  |
| Total expenditures                   | <u>400,000</u> | <u>364,032</u> | <u>35,968</u>   | <u>400,000</u>   | <u>-</u>                           |
| Revenues over expenditures           | <u>\$ -</u>    | <u>\$ -</u>    | -               | <u>\$ -</u>      | <u>\$ -</u>                        |
| Fund balances:                       |                |                |                 |                  |                                    |
| Beginning of year, July 1            |                |                | -               |                  |                                    |
| End of year, June 30                 |                |                | <u>\$ -</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, 2007

|   | 2007        |                  | Variance<br>Positive<br>(Negative) |
|---|-------------|------------------|------------------------------------|
|   | Budget      | Actual           |                                    |
| Revenues:                                       |             |                  |                                    |
| Investment earnings                             | \$ -        | \$ 674           | \$ 674                             |
| Expenditures:                                   |             |                  |                                    |
| Operating expenditures                          | 10,000      | -                | 10,000                             |
| Revenues over expenditures                      | (10,000)    | 674              | 10,674                             |
| Other financings sources                        |             |                  |                                    |
| Operating transfer in<br>General Fund           | 10,000      | 10,000           | -                                  |
| Revenues and other sources over<br>expenditures | <u>\$ -</u> | 10,674           | <u>\$ 10,674</u>                   |
| Fund balances:                                  |             |                  |                                    |
| Beginning of year, July 1                       |             | 20,134           |                                    |
| End of Year, June 30                            |             | <u>\$ 30,808</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, 2007

|   | 2007        |                   | Variance<br>Positive<br>(Negative) |
|---|-------------|-------------------|------------------------------------|
|   | Budget      | Actual            |                                    |
| Revenues:   |             |                   |                                    |
| Investment earnings                                     | \$ -        | \$ 3,081          | \$ 3,081                           |
| Expenditures:   | 147,736     | -                 | 147,736                            |
| Revenues over (under) expenditures                      | (147,736)   | 3,081             | 150,817                            |
| Other financing sources:                                |             |                   |                                    |
| Operating transfers in<br>General Fund                  | 147,736     | 147,736           | -                                  |
| Revenues and other sources over<br>(under) expenditures | <u>\$ -</u> | 150,817           | <u>\$ 150,817</u>                  |
| Fund balances:  |             |                   |                                    |
| Beginning of year, July 1                               |             | -                 |                                    |
| End of Year, June 30                                    |             | <u>\$ 150,817</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, 2007

|                                   | 2007           |                   | Variance<br>Positive<br>(Negative) |
|-----------------------------------|----------------|-------------------|------------------------------------|
|                                   | Budget         | Actual            |                                    |
| <b>Revenues:</b>                  |                |                   |                                    |
| Restricted Intergovernmental      | \$ 200,000     | \$ 3,033          | \$ (196,967)                       |
| <b>Expenditures:</b>              |                |                   |                                    |
| Economic and physical development |                |                   |                                    |
| Program Cost                      | 23,800         | 5,116             | 18,684                             |
| Relocation                        | 2,000          | -                 | 2,000                              |
| Rehabilitation                    | 158,400        | -                 | 158,400                            |
| Administration                    | 15,800         | 5,600             | 10,200                             |
| Total Expenditures                | <u>200,000</u> | <u>10,716</u>     | <u>189,284</u>                     |
| Revenues over expenditures        | <u>-</u>       | <u>(7,683)</u>    | <u>(7,683)</u>                     |
| <b>Fund balances:</b>             |                |                   |                                    |
| Beginning of year, July 1         |                | -                 |                                    |
| End of Year, June 30              |                | <u>\$ (7,683)</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, 2007

|                                 | Project<br>Author-<br>ization | Actual              |                       | Total<br>to Date      | Variance<br>Positive<br>(Negative) |
|---------------------------------|-------------------------------|---------------------|-----------------------|-----------------------|------------------------------------|
|                                 |                               | Prior<br>Years      | Current<br>Year       |                       |                                    |
| <b>Expenditures:</b>            |                               |                     |                       |                       |                                    |
| Legal expense                   | \$ 1,000                      | \$ -                | \$ -                  | \$ -                  | \$ 1,000                           |
| Architectural design            | 118,608                       | 104,575             | 23,732                | 128,307               | (9,699)                            |
| Land purchase                   | 194,500                       | 192,500             | 0                     | 192,500               | 2,000                              |
| Construction costs              | 1,482,993                     | -                   | 1,476,209             | 1,476,209             | 6,784                              |
| Equipment                       | 19,674                        | -                   | 19,591                | 19,591                | 83                                 |
| Other engineering fees          | 8,500                         | -                   | 8,499                 | 8,499                 | 1                                  |
| Furnishings                     | 46,000                        | -                   | 45,747                | 45,747                | 253                                |
| Contingency                     | 28,725                        | -                   | -                     | -                     | 28,725                             |
| <b>Total expenditures</b>       | <b>1,900,000</b>              | <b>297,075</b>      | <b>1,573,778</b>      | <b>1,870,853</b>      | <b>29,147</b>                      |
| Revenues under expenditures     | 1,900,000                     | (297,075)           | (1,573,778)           | (1,870,853)           | 29,147                             |
| <b>Other financing sources:</b> |                               |                     |                       |                       |                                    |
| Installment purchase proceeds   | 1,900,000                     | -                   | -                     | -                     | (1,900,000)                        |
| Net change in fund balance      | <u>\$ -</u>                   | <u>\$ (297,075)</u> | <u>\$ (1,573,778)</u> | <u>\$ (1,870,853)</u> | <u>\$ (1,870,853)</u>              |
| Fund balance - beginning        |                               |                     | (297,075)             |                       |                                    |
| Fund balance - ending           |                               |                     | <u>(1,870,853)</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, 2007

|                                    | Project<br>Author-<br>ization | Actual           |                  | Variance<br>Positive<br>(Negative) |
|------------------------------------|-------------------------------|------------------|------------------|------------------------------------|
|                                    |                               | Current<br>Year  | Total<br>to Date |                                    |
| <b>Revenues:</b>                   |                               |                  |                  |                                    |
| Investment Earnings                | -                             | \$ 85,884        | \$ 85,884        | \$ 85,884                          |
| Total Revenues                     | -                             | 85,884           | 85,884           | 85,884                             |
| <b>Expenditures:</b>               |                               |                  |                  |                                    |
| Legal expense                      | 12,275                        | 12,275           | 12,275           | -                                  |
| Financing fees                     | 3,700                         | 3,700            | 3,700            | -                                  |
| Construction costs                 | 6,484,025                     | -                | -                | 6,484,025                          |
| Total Expenditures                 | 6,500,000                     | 15,975           | 15,975           | 6,484,025                          |
| Revenues over (under) expenditures | (6,500,000)                   | 69,909           | 69,909           | 6,569,909                          |
| <b>Other financing sources:</b>    |                               |                  |                  |                                    |
| Installment purchase proceeds      | 6,500,000                     | 6,500,000        | 6,500,000        | -                                  |
| Net change in fund balance         | \$ -                          | \$ 6,569,909     | \$ 6,569,909     | \$ 6,569,909                       |
| Fund balance - beginning           |                               | -                |                  |                                    |
| Fund balance - ending              |                               | <u>6,569,909</u> |                  |                                    |

Gates County, North Carolina  
**Landfill Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
For the Fiscal Year Ended June 30, 2007

|  | 2007           |                  | Variance<br>Positive<br>(Negative) |
|--|----------------|------------------|------------------------------------|
|  | Budget         | Actual           |                                    |
| <b>Revenues:</b>   |                |                  |                                    |
| Operating revenues:  |                |                  |                                    |
| Charges for services:  |                |                  |                                    |
| Solid Waste charges  | \$ 766,300     | \$ 749,862       | \$ (16,438)                        |
| Nonoperating revenues:   |                |                  |                                    |
| Interest earnings  | 500            | 178              | (322)                              |
| Scrap Tire revenues  | 17,353         | 13,739           | (3,614)                            |
| White goods  | 6,600          | 4,648            | (1,952)                            |
| Total revenues   | <u>790,753</u> | <u>768,427</u>   | <u>(22,326)</u>                    |
| <b>Expenditures:</b>   |                |                  |                                    |
| Landfill operations:   |                |                  |                                    |
| Operating expenditures   | <u>790,503</u> | <u>756,589</u>   | <u>33,914</u>                      |
| Revenues over (under) expenditures   | \$ 250         | 11,838           | \$ 11,588                          |
| Other financing sources (uses)   |                |                  |                                    |
| Transfer to General Fund   | <u>(250)</u>   | <u>(60)</u>      | <u>190</u>                         |
| Revenues over (under) expenditures<br>and other uses                               | <u>-</u>       | 11,778           | <u>11,778</u>                      |
| <b>Reconciliation from budgetary basis<br/>(modified accrual) to full accrual:</b> |                |                  |                                    |
| Reconciling items  |                | -                |                                    |
| Change in net assets   |                | <u>\$ 11,778</u> |                                    |

Gates County, North Carolina  
**Water Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
For the Fiscal Year Ended June 30, 2007

|  | 2007           |                | Variance<br>Positive<br>(Negative) |
|--|----------------|----------------|------------------------------------|
|  | Budget         | Actual         |                                    |
| <b>Revenues:</b>                                       |                |                |                                    |
| <b>Operating revenues</b>                              |                |                |                                    |
| Water sales  | \$ -           | \$ 697,572     | \$ -                               |
| Water taps and connection fees                         | -              | 74,250         | -                                  |
| Miscellaneous  | -              | 7,849          | -                                  |
| <b>Total operating revenue</b>                         | <b>748,500</b> | <b>779,671</b> | <b>31,171</b>                      |
| <b>Nonoperating revenues:</b>                          |                |                |                                    |
| Sale of equipment                                      | -              | 3,000          | -                                  |
| Interest earnings                                      | -              | 36,120         | -                                  |
| Tax refunds  | -              | 6,287          | -                                  |
| <b>Total nonoperating revenues</b>                     | <b>27,800</b>  | <b>45,407</b>  | <b>17,607</b>                      |
| <b>Total revenues</b>                                  | <b>776,300</b> | <b>825,078</b> | <b>48,778</b>                      |
| <b>Expenditures:</b>                                   |                |                |                                    |
| <b>Water and sewer administration:</b>                 |                |                |                                    |
| To County general fund for administration              | 50,094         | 49,000         | -                                  |
| Travel   | 4,000          | 622            | -                                  |
| Office supplies, telephone, postage                    | 22,600         | 21,103         | -                                  |
| Insurance  | 19,641         | 19,641         | -                                  |
| Audit  | 16,125         | 16,588         | -                                  |
| Computer maintenance expense                           | 14,000         | 14,000         | -                                  |
| <b>Total</b>   | <b>126,460</b> | <b>120,954</b> | <b>5,506</b>                       |
| <b>Water treatment, pump station and distribution:</b> |                |                |                                    |
| Salaries   | 195,901        | 165,253        | -                                  |
| Fringe benefits  | 57,385         | 44,699         | -                                  |
| Supplies, chemicals and materials                      | 80,000         | 65,669         | -                                  |
| Electricity  | 50,000         | 51,583         | -                                  |
| Fuel and vehicle expense                               | 28,700         | 29,937         | -                                  |
| Water analysis   | 7,500          | 4,069          | -                                  |
| Uniforms   | 4,000          | 2,635          | -                                  |
| Repairs  | 39,000         | 38,677         | -                                  |
| Miscellaneous  | 4,750          | 4,261          | -                                  |
| <b>Total</b>   | <b>467,236</b> | <b>406,783</b> | <b>60,453</b>                      |

Gates County, North Carolina  
**Water Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
For the Fiscal Year Ended June 30, 2007

|  | 2007             |                  | Variance<br>Positive<br>(Negative) |
|--|------------------|------------------|------------------------------------|
|  | Budget           | Actual           |                                    |
| Debt service:  |                  |                  |                                    |
| Principal payment  | 119,100          | 118,322          | -                                  |
| Interest and fees  | 71,900           | 71,898           | -                                  |
| Total  | <u>191,000</u>   | <u>190,220</u>   | <u>780</u>                         |
| Capital outlay:  |                  |                  |                                    |
| Equipment  | 468,200          | 81,796           | 386,404                            |
| Total expenditures   | <u>1,252,896</u> | <u>799,753</u>   | <u>453,143</u>                     |
| Revenues over (under) expenditures   | (476,596)        | 25,325           | 501,921                            |
| Other financial sources (uses)   |                  |                  |                                    |
| Transfer to General Fund   | (250)            | (36)             | 214                                |
| Revenues over (under) expenditures<br>and other uses                               | (476,846)        | 25,289           | 502,135                            |
| Appropriated net assets  | 476,846          | -                | (476,846)                          |
| Revenues and appropriated net assets<br>over expenditures and other uses           | <u>\$ -</u>      | <u>25,289</u>    | <u>\$ 25,289</u>                   |
| <b>Reconciliation from budgetary basis<br/>(modified accrual) to full accrual:</b> |                  |                  |                                    |
| Reconciling items:   |                  |                  |                                    |
| Debt principal   |                  | 118,322          |                                    |
| Capital outlay   |                  | 81,796           |                                    |
| Increase in accrued vacation pay   |                  | (5,814)          |                                    |
| Depreciation   |                  | (209,310)        |                                    |
| Total reconciling items  |                  | <u>15,006</u>    |                                    |
| Change in net assets   |                  | <u>\$ 10,283</u> |                                    |

Gates County, North Carolina  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
For the Fiscal Year Ended June 30, 2007

|                                  | Balance<br>July 1,<br>2006 | Additions | Deductions | Balance<br>June 30,<br>2007 |
|----------------------------------|----------------------------|-----------|------------|-----------------------------|
| <b>Social Services</b>           |                            |           |            |                             |
| Assets:                          |                            |           |            |                             |
| Cash and cash equivalents        | \$ 2,616                   | \$ 34,574 | \$ 30,004  | \$ 7,186                    |
| Liabilities:                     |                            |           |            |                             |
| Miscellaneous liabilities        | \$ 2,616                   | \$ 34,574 | \$ 30,004  | \$ 7,186                    |
| <b>DMV Fund</b>                  |                            |           |            |                             |
| Assets:                          |                            |           |            |                             |
| Cash and cash equivalents        | \$ 291                     | \$ 6,212  | \$ 5,994   | \$ 509                      |
| Liabilities:                     |                            |           |            |                             |
| Miscellaneous liabilities        | \$ 291                     | \$ 6,212  | \$ 5,994   | \$ 509                      |
| <b>Totals - All Agency Funds</b> |                            |           |            |                             |
| Assets:                          |                            |           |            |                             |
| Cash and cash equivalents        | \$ 2,907                   | \$ 40,786 | \$ 35,998  | \$ 7,695                    |
| Liabilities:                     |                            |           |            |                             |
| Miscellaneous liabilities        | \$ 2,907                   | \$ 40,786 | \$ 35,998  | \$ 7,695                    |

**OTHER SCHEDULES**

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Gates County, North Carolina  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
June 30, 2007

| Fiscal Year  | Uncollected<br>Balance<br>June 30, 2006 | Additions    | Collections<br>And Credits | Uncollected<br>Balance<br>June 30, 2007 |
|--|---|--------------|----------------------------|---|
| 2006-2007  | \$ -                                    | \$ 4,929,685 | \$ 4,641,167               | \$ 288,518                              |
| 2005-2006  | 285,278                                 | 713          | 190,787                    | 95,204                                  |
| 2004-2005  | 117,797                                 | 851          | 54,539                     | 64,109                                  |
| 2003-2004  | 56,607                                  | 265          | 22,324                     | 34,548                                  |
| 2002-2003  | 43,778                                  | 1,077        | 10,817                     | 34,038                                  |
| 2001-2002  | 41,269                                  | 292          | 7,006                      | 34,555                                  |
| 2000-2001  | 35,469                                  | -            | 3,730                      | 31,739                                  |
| 1999-2000  | 28,544                                  | 269          | 3,206                      | 25,607                                  |
| 1998-1999  | 21,566                                  | 92           | 3,031                      | 18,627                                  |
| 1997-1998  | 22,822                                  | 12           | 1,866                      | 20,968                                  |
| 1996-1997  | 15,830                                  | -            | 15,830                     | -                                       |
|  | \$ 668,960                              | \$ 4,933,256 | \$ 4,954,303               | 647,913                                 |
| Plus: uncollected 2007-2008 ad valorem taxes receivable<br>on annually registered vehicles |   |              |                            | 108,107                                 |
| Less: allowance for uncollectible accounts:<br>General Fund                                |   |              |                            | 81,100                                  |
| Ad valorem taxes receivable - net:<br>General Fund   |   |              |                            | \$ 674,920                              |
| <br><u>Reconciliation with revenues:</u>   |   |              |                            |   |
| Ad valorem taxes - General Fund  |   |              |                            | \$ 5,025,871                            |
| Reconciling items:   |   |              |                            |   |
| Interest collected   |   |              |                            | (88,022)                                |
| Taxes written off  |   |              |                            | 16,454                                  |
| Total reconciling items  |   |              |                            | (71,568)                                |
| Total collections and credits  |   |              |                            | \$ 4,954,303                            |

Gates County, North Carolina  
 Analysis of Current Tax Levy  
 County - wide Levy  
 June 30, 2007

|  | County - wide                |      |                     | Total Levy   |                                 |
|--|------------------------------|------|---------------------|--|---------------------------------|
|  | Property<br>Valuation        | Rate | Amount<br>of Levy   | Property<br>excluding<br>Registered<br>Motor<br>Vehicles | Registered<br>Motor<br>Vehicles |
|  | Original levy:               |      |                     |  |                                 |
| Property taxed at current<br>year's rate | \$ 520,964,964               | 0.91 | \$ 4,740,781        | \$ 4,195,320   | \$ 545,461                      |
| Property taxed at prior<br>year's rate   | 23,463,069                   | 0.87 | 204,129             | -  | 204,129                         |
| Penalties                                | -                            |      | 3,756               | 3,756  | -                               |
| <b>Total</b>                             | <u>544,428,033</u>           |      | <u>4,948,666</u>    | <u>4,199,076</u>   | <u>749,590</u>                  |
| Discoveries:                             |                              |      |                     |  |                                 |
| Current year taxes                       | <u>1,999,282</u>             |      | <u>18,193</u>       | <u>18,193</u>  | -                               |
| Abatements                               | <u>(4,085,139)</u>           |      | <u>(37,174)</u>     | <u>(21,700)</u>  | <u>(15,474)</u>                 |
| <b>Total property valuation</b>          | <u><u>\$ 542,342,176</u></u> |      |                     |  |                                 |
| Net levy                                 |                              |      | 4,929,685           | 4,195,569  | 734,116                         |
| Uncollected taxes at June 30, 2007       |                              |      | <u>288,518</u>      | <u>146,276</u>   | <u>142,242</u>                  |
| Current year's taxes collected           |                              |      | <u>\$ 4,641,167</u> | <u>\$ 4,049,293</u>                                      | <u>\$ 591,874</u>               |
| Current levy collection percentage       |                              |      | <u>94.15%</u>       | <u>96.51%</u>  | <u>80.62%</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, 2007, which collectively comprises the County's basic financial statements, and have issued our report thereon dated November 26, 2007. 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 2007-1 and 2007-2, 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, Peery & Crane, Inc*

Ahoskie, North Carolina  
November 26, 2007

**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, 2007. 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, 2007.

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.

Our consideration of the internal control over compliance 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 as defined below. However, as we discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 such that 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [2007-1 and 2007-2] to be significant deficiencies.

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. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

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 & Coak, Inc*

Ahoskie, North Carolina  
November 26, 2007

Gates County, North Carolina  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
 For the Fiscal Year Ended June 30, 2007

**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 |
|--|-----|-------------------------------------|----|

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 | <input checked="" type="checkbox"/> | 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 |
|---|-----|-------------------------------------|----|

Identification of major federal programs:

| <u>CFDA#</u> | <u>Program Name</u>           |
|--------------|-------------------------------|
| 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>\$ 302,726</u> |
|---|-------------------|

|  |     |                                     |    |
|--|-----|-------------------------------------|----|
| Auditee qualified as low-risk auditee? | yes | <input checked="" type="checkbox"/> | no |
|--|-----|-------------------------------------|----|

Gates County, North Carolina  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For the Fiscal Year Ended June 30, 2007

---

**Section II. Financial Statement Findings**

---

Significant Deficiency

2007-1 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: There are a limited number of personnel for 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.

2007-2 Embezzlement

Criteria: Duties should be segregated so that the County can properly account for all incoming funds.

Condition: During the course of our audit, we found an instance where a check written to the County for Emergency Management purposes, had not been deposited in the County's bank account. Upon further investigation, we found that the check had been deposited in an employee's account in the amount of \$13,173.

Effect: Although the funds were subsequently recovered, there was a large time period in which the County did not have the grant proceeds.

Cause: A lack of controls over the requesting of grant funds and the receipt of grant funds.

Recommendation: The County needs to strengthen controls over the preceding situation by implementing separate preparation and review procedures for all grants.

Views of responsible officials and planned corrective actions: The County agrees with this finding and internal control procedures have been put in place.

---

**Section III. Federal Award Findings and Questioned Costs**

---

None reported.

Gates County, North Carolina  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For the Fiscal Year Ended June 30, 2007

---

**Section IV. State Award Findings and Questioned Costs**

---

None reported

---

**Section V. Status of Prior Year Findings**

---

None reported

Gates County, North Carolina  
**CORRECTIVE ACTION PLAN**  
For the Fiscal Year Ended June 30, 2007

---

**Section II. Financial Statement Findings**

---

Finding 2007-1

Name of Contact Person – Melinda Hoggard, Finance Officer

Corrective Action – The County will implement procedures which will provide better segregation of duties amongst personnel.

Proposed Completion Date – Immediately

Finding 2007-2

Name of Contact Person – Melinda Hoggard – Finance Officer

Corrective Action – The County will implement improved internal control procedures in order to prevent this from occurring in the future.

Proposed Completion Date - Immediately

Gates County, North Carolina  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
 For the Year Ended June 30, 2007

| <u>Grantor/Pass-Through<br/>Grantor/Program Title</u>       | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-Through)<br/>Expenditures</u> | <u>State<br/>Expenditures</u> |
|---|------------------------------------|---------------------------------------|-------------------------------|
| <b>Federal Awards:</b>                                      |                                    |                                       |                               |
| <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                             | \$ 1,182,269                          | \$ -                          |
| State Administrative Matching Grants                        |                                    |                                       |                               |
| For the Food Stamp Program                                  | 10.561                             | <u>72,573</u>                         | <u>-</u>                      |
| Total Food Stamp Cluster                                    |                                    | 1,254,842                             | -                             |
| <br><u>U.S. Dept. of Urban Development</u>                  |                                    |                                       |                               |
| Community Development Block Grant                           | 14.228                             | 35,968                                | -                             |
| <br><u>U.S. Department of Justice</u>                       |                                    |                                       |                               |
| Passed-through N.C. Dept. Crime Control and Public Safety   |                                    |                                       |                               |
| Juvenile Justice Delinquency                                | 16.540                             | <u>38,159</u>                         | <u>-</u>                      |
| <br><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                             | 207,050                               | -                             |
| Low Income Home Energy Assistance                           |                                    |                                       |                               |
| Block Grant:  |                                    |                                       |                               |
| Administration  | 93.568                             | 26,580                                |                               |
| Direct Benefit Payments                                     | 93.568                             | 32,386                                |                               |
| Links   | 93.674                             | 160                                   | 40                            |
| N.C. Health Choice  | 93.767                             | 19,119                                | 596                           |
| Social Services Block Grant                                 | 93.667                             | 48,443                                | 5,365                         |
| Title IV-E Foster Care                                      | 93.658                             | 33,990                                | 17,713                        |
| Adoption  | 93.659                             | 17,720                                |                               |
| Permanency Planning   | 93.645                             | 2,073                                 | 691                           |
| 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                             | 127,427                               |                               |
| Child Care and Development Fund - Mandatory                 | 93.596                             | 52,870                                |                               |
| Child Care and Development Fund - Match                     | 93.596                             | 52,181                                | <u>28,878</u>                 |
| Total Child Care Fund Cluster                               |                                    |                                       | cont'd                        |

Gates County, North Carolina  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2007

| <u>Grantor/Pass-Through<br/>Grantor/Program Title</u>       | <u>Federal<br/>CFDA<br/>Number</u> | <u>Federal<br/>(Direct and<br/>Pass-Through)<br/>Expenditures</u> | <u>State<br/>Expenditures</u> |
|---|------------------------------------|---|-------------------------------|
| Social Services Block Grant                                 | 93.667                             | 2,047   | -                             |
| Temporary Assistance for Needy Families                     | 93.558                             | 48,406  | -                             |
| Smart Start   |                                    | -   | 12,723                        |
| State Appropriations  |                                    | -   | 13,696                        |
| TANF-MOE  |                                    | -   | 41,364                        |
| Total Subsidized Child Care Cluster                         |                                    | 342,931   | 96,661                        |
| <br><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                             | 7,684,518   | 3,767,897                     |
| Division of Social Services:                                |                                    |   |                               |
| Medical Assistance Program                                  | 93.778                             | 171,650   | 6,911                         |
| <br><u>U.S. Department of Transportation</u>                |                                    |   |                               |
| Passed through N.C. Department of Transportation:           |                                    |   |                               |
| Community Transportation Program                            | 20.509                             | 127,944   | -                             |
| Operations program  | 20.516                             | 31,894  | -                             |
| Total   |                                    | 159,838   |                               |
| <br><u>U.S. Department of Homeland Security</u>             |                                    |   |                               |
| Passed through N.C. Dept. of Crime Control & Public Safety: |                                    |   |                               |
| Emergency Management  | 97.042                             | 13,173  | -                             |
| Homeland Security Grant                                     | 97.004                             | 2,282   | -                             |
| Total   |                                    | 15,455  |                               |
| Total federal awards  |                                    | 10,090,882  | 3,895,874                     |
| <br><b>State Awards:</b>                                    |                                    |   |                               |
| <u>N.C. Dept. of Health and Human Services:</u>             |                                    |   |                               |
| Division of Social Services:                                |                                    |   |                               |
| CPS Expansion   |                                    | -   | 30,314                        |
| State Aid to Counties                                       |                                    | -   | 9,278                         |
| Domiciliary Care – Direct Benefit                           |                                    | -   | 104,696                       |
| State Foster Care   |                                    | -   | 58                            |
| Total   |                                    | -   | 144,288                       |
| <br><u>NC Department of Public Instruction</u>              |                                    |   |                               |
| Public School Building Capital Fund                         |                                    | -   | 229,400                       |
| Lottery Proceeds  |                                    | -   | 195,500                       |
| Total   |                                    | -   | 424,900                       |

cont'd

Gates County, North Carolina  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2007

|   |                                  |   |   |
|---|----------------------------------|---|---|
| <u>N.C. Dept. of Transportation:</u>  |                                  |   |   |
| ROAP  | -                                | 98,707  |   |
| <br><u>N.C. Dept. of Administration:</u>  |                                  |   |   |
| Division of Veterans Affairs  | -                                | 2,000   |   |
| <br><u>Grantor/Pass-Through</u><br><u>Grantor/Program Title</u>                 | <br><u>CFDA</u><br><u>Number</u> | <br><u>Federal</u><br><u>(Direct and</u><br><u>Pass-Through)</u><br><u>Expenditures</u> | <br><u>State</u><br><u>Expenditures</u> |
| <br><u>N.C. Dept. of Juvenile Justice and</u><br><u>Delinquency Prevention:</u> |                                  |   |   |
| Support our Student Program (SOS)   |                                  | -   | 71,769                                  |
| CBA Genesis   |                                  | -   | 27,696                                  |
| New Choices   |                                  | -   | 10,000                                  |
| Life Smarts-Making a job  |                                  | -   | 34,560                                  |
| School Age Child Care   |                                  | -   | 32,859                                  |
| Work Expense  |                                  |   | 19,594                                  |
| Baby Love Grant   |                                  |   | <u>20,086</u>                           |
| Total   |                                  | -   | <u>216,564</u>                          |
| <br><u>N.C. Dept. of Health and Human Services:</u>                             |                                  |   |   |
| Smart Start   |                                  | -   | <u>33,314</u>                           |
| Total State awards  |                                  | -   | <u>947,087</u>                          |
| Total federal and State Awards  |                                  | <u>\$ 10,090,882</u>  | <u>\$ 4,842,961</u>                     |

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 Gates County, North Carolina for the year ended June 30, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of our report on the financial statements and not to provide assurance on the internal control structure. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses under standards established by the American Institute of Certified Public Accountants.

During our audit, we noted the following immaterial discrepancies:

In our testing of the Day Care program, we found two instances where parent fees were not calculated properly.

In our testing of Medicaid, we found two instances where the caseworker did not sign the application.

In our testing of payroll, we found instances where the County was not withholding taxes based on employee W-4 and NC-4. The County needs to update withholdings based on employee's requests.

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.*

Ahoskie, North Carolina  
November 26, 2007