

**GATES COUNTY, NORTH CAROLINA**

**FINANCIAL REPORT**

**June 30, 2017**



**CRI** CARR  
RIGGS &  
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CPAs and Advisors

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
Gates County, North Carolina

### **Report on the Financial Statements**

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 aggregate remaining fund information of Gates County, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Gates County's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

## Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Gates County, North Carolina, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance, the Other Post-Employment Benefit Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System Schedules of the County Proportionate Share of Net Pension Liability (Asset) and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions on pages 9 through 17 and 72 through 79, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Gates County, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial schedules, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial schedules, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Prior Period Financial Statements*

The financial statements and required supplementary information contain references to financial statements and disclosures from prior periods. Prior period financial statements were audited by other auditors whose report dated December 9, 2016. These financial statements and disclosures were not audited by us and, accordingly, we do not express an opinion on them

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2018 on our consideration of Gates County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gates County's internal control over financial reporting and compliance.

### **Emphasis of Matters**

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 aggregate remaining fund information of the County as of and for the year-ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. As discussed in Note 3.J of the financial statements, the County implemented Governmental Accounting Standards Board (GASB) 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB 68*, and *Amendments to Certain Provisions of GASB 67 and 68* in the fiscal year. In addition, the County implemented GASB 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

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 aggregate remaining fund information of the County as of and for the year-ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. As described in Note 3.K, the County recorded a prior period adjustment affecting the net position for governmental activities. Our opinion is not modified with respect to this matter.

*Carly Riggs & Ingram, L.L.C.*

Raleigh, North Carolina  
March 28, 2018

## Gates County, North Carolina Management's Discussion and Analysis

As management of Gates County (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

### Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$13,877,482 (net position).
- The government's total net position increased by \$1,095,883. The governmental activities net position increased by \$1,386,967. The business-type activities decreased by \$291,084.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$5,295,291, after a net increase in fund balances of \$817,334. Approximately 30.057% of this total amount, or \$1,455,109, is either restricted or committed.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,704,621 or 33.98% of total general fund expenditures for the fiscal year.
- The County's total debt decreased by \$841,737 (20.71%) during the current fiscal year. The key factors in the decrease was debt service principal payments on the County's outstanding notes payable.

### Overview of the Financial Statements

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

### Basic Financial Statements

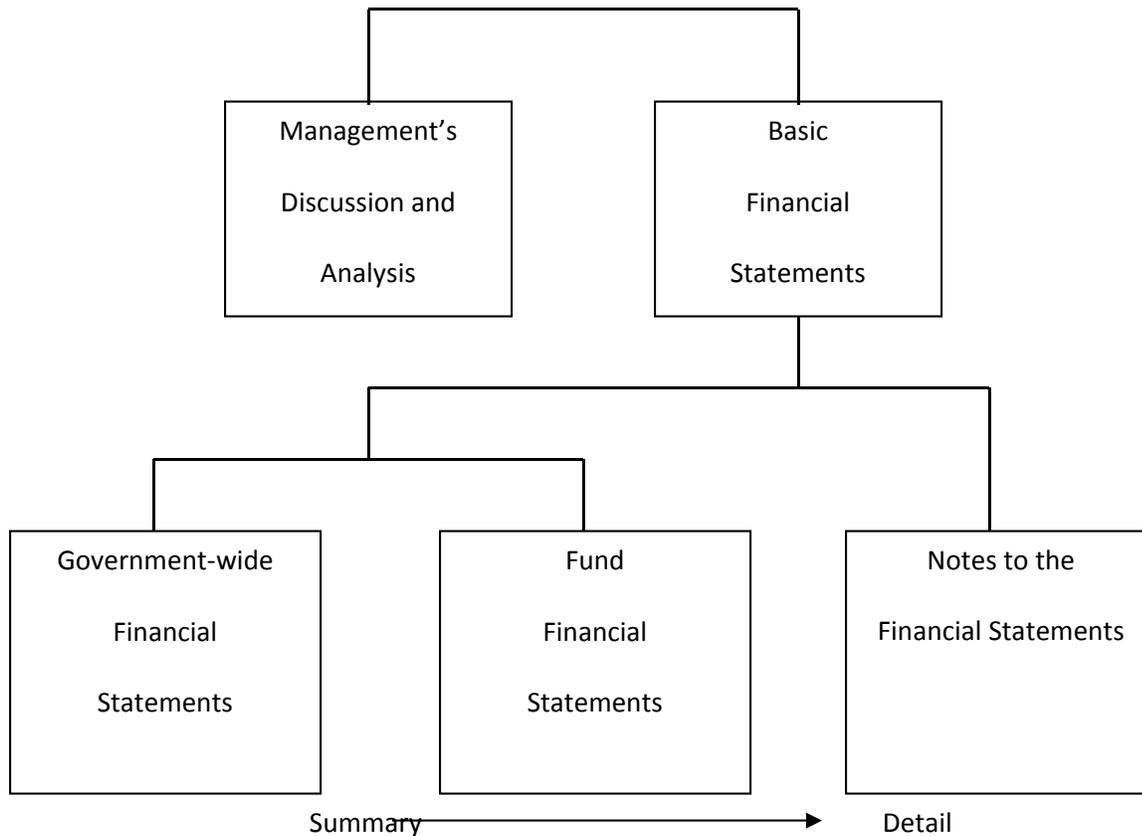
The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary 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 data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's major and 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.

Required Components of Annual Financial Report

Figure 1



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

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. 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 position and how it has changed. Net position is the difference between the total of the County's assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

## Gates County, North Carolina Management's Discussion and Analysis

The government-wide statements 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, human services, economic development, education, cultural and recreation, and general administration. Property taxes, local option sales 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 solid waste, water and sewer services offered by County. The final category is the component units. The Gates County ABC Board is legally separate from the County however the County is financially accountable for the Board by appointing its members. Also, the ABC Board is required to distribute its profits to the County.

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

### Fund Financial Statements

The fund financial 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. The 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 the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

The 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.

## Gates County, North Carolina Management's Discussion and Analysis

**Proprietary Funds** – The County has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its solid waste and water and sewer activity operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County has seven fiduciary funds, which are presented as agency funds.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 31 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found immediately following the notes to the financial statements beginning on page 73 of this report.

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13,877,482 as of June 30, 2017. The County's net position increased by \$1,095,883 during fiscal year ended June 30, 2017. One of the largest portions \$11,467,108 (82.63%) reflects the County's net investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the County's net position \$1,468,139 (10.58%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$942,235 is unrestricted.

Several key aspects of the County's financial operations are as follows:

- **Continued diligence in the collection of property taxes by maintaining an overall collection percentage of approximately 96.6 percent.**
- **Local option sales tax revenues increased \$490,951 over the prior year, primarily due to the new Article 44 sales tax distribution from the State of North Carolina.**
- **The County received several grants to fund various improvement projects in the County.**
- **Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget.**

## Gates County, North Carolina Management's Discussion and Analysis

**Figure 2**

Gates County North Carolina  
Condensed Statement of Net Position  
As of June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 5,803,782	\$ 4,974,745	\$ 2,172,225	\$ 2,420,961	\$ 7,976,007	\$ 7,395,706
Capital assets	6,804,057	6,877,281	5,719,039	5,757,547	12,523,096	12,634,828
<b>Total assets</b>	<b>12,607,839</b>	<b>11,852,026</b>	<b>7,891,264</b>	<b>8,178,508</b>	<b>20,499,103</b>	<b>20,030,534</b>
Total deferred outflows of resources	807,101	195,052	53,012	12,135	860,113	207,187
Current liabilities	835,453	1,176,352	92,808	115,251	928,261	1,291,603
Long-term liabilities	6,220,757	5,781,831	252,264	181,357	6,473,021	5,963,188
<b>Total liabilities</b>	<b>7,056,210</b>	<b>6,958,183</b>	<b>345,072</b>	<b>296,608</b>	<b>7,401,282</b>	<b>7,254,791</b>
Total deferred inflows of resources	77,600	127,823	2,852	6,599	80,452	134,422
Net investment in capital assets	5,748,069	5,412,889	5,719,039	5,757,547	11,467,108	11,170,436
Restricted	1,468,139	1,120,247	-	-	1,468,139	1,120,247
Unrestricted	(935,078)	(1,662,064)	1,877,313	2,129,889	942,235	467,825
<b>Total net position</b>	<b>\$ 6,281,130</b>	<b>\$ 4,871,072</b>	<b>\$ 7,596,352</b>	<b>\$ 7,887,436</b>	<b>\$ 13,877,482</b>	<b>\$ 12,758,508</b>

**Governmental activities.** Governmental activities increased the County's net position by \$1,386,967. Key elements of this increase are as follows:

- **An increase in revenues from property and motor vehicle taxes due to a \$0.04 increase in the tax rate from \$0.64 to \$0.68 per \$100 of assessed property value.**
- **An increase in local option sales taxes.**
- **A decrease in intergovernmental revenues.**
- **An overall increase in expenditures.**

**Business-type activities:** Business-type activities decreased the County's net position by \$291,084. Key elements for this overall decrease were:

- **A decrease in solid waste revenues.**
- **An overall increase in expenditures.**

## Gates County, North Carolina Management's Discussion and Analysis

**Figure 3**

Gates County, North Carolina  
Condensed Statement of Revenue, Expenses, and Changes in Net Position  
For the Fiscal Years Ended June 30, 2017 and 2016

	2017			2016		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 261,661	\$ 1,724,563	\$ 1,986,224	\$ 2,124,942	\$ 1,941,205	\$ 4,066,147
Operating grants and contributions	2,153,360	-	2,153,360	562,468	-	562,468
Capital grants and contributions	114,433	-	114,433	111,930	-	111,930
General revenues:						
Property taxes	6,837,996	-	6,837,996	6,300,874	-	6,300,874
Local option sales tax	2,508,401	-	2,508,401	2,017,450	-	2,017,450
Other taxes	275,825	-	275,825	463,649	-	463,649
Grants and contributions not restricted to specific programs	62,967	28,602	91,569	-	-	-
Other revenues	16,920	17,380	34,300	10,984	7,430	18,414
<b>Total Revenues</b>	<b>12,231,563</b>	<b>1,770,545</b>	<b>14,002,108</b>	<b>11,592,297</b>	<b>1,948,635</b>	<b>13,540,932</b>
<b>Expenses:</b>						
General government	1,852,218	-	1,852,218	1,793,421	-	1,793,421
Public safety	2,544,795	-	2,544,795	2,050,570	-	2,050,570
Human services	2,114,509	-	2,114,509	2,134,425	-	2,134,425
Education	2,968,896	-	2,968,896	2,714,000	-	2,714,000
Environmental protection	-	-	-	-	-	-
Economic and physical development	908,792	-	908,792	955,091	-	955,091
Cultural and recreational	376,058	-	376,058	314,944	-	314,944
Interest on debt	79,328	-	79,328	139,776	-	139,776
Landfill	-	872,819	872,819	-	846,788	846,788
Water	-	1,188,810	1,188,810	-	1,053,830	1,053,830
<b>Total Expenses</b>	<b>10,844,596</b>	<b>2,061,629</b>	<b>12,906,225</b>	<b>10,102,227</b>	<b>1,900,618</b>	<b>12,002,845</b>
Change in net position before transfers	1,386,967	(291,084)	1,095,883	1,490,070	48,017	1,538,087
Transfers	-	-	-	(350,199)	350,199	-
Change in net position	1,386,967	(291,084)	1,095,883	1,139,871	398,216	1,538,087
Net position, beginning	4,871,072	7,887,436	12,758,508	3,731,201	7,489,220	11,220,421
Restatement	23,091	-	23,091	-	-	-
Net position, beginning as restated	4,894,163	7,887,436	12,781,599	3,731,201	7,489,220	11,220,421
<b>Net position, ending</b>	<b>\$ 6,281,130</b>	<b>\$ 7,596,352</b>	<b>\$ 13,877,482</b>	<b>\$ 4,871,072</b>	<b>\$ 7,887,436</b>	<b>\$ 12,758,508</b>

### Financial Analysis of the County's Funds

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

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

## Gates County, North Carolina Management's Discussion and Analysis

The General fund is the chief operating fund of the County. At the end of the current fiscal year, the County's fund balance available in the General Fund was \$3,839,438, while total fund balance reached \$4,800,536. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 33.97% to total General Fund expenditures, while total fund balance represents 44.03% of that same amount. At June 30, 2017, the governmental funds of the County reported a combined fund balance of \$5,295,291, an 18.25% increase over last year. The primary reason for this increase was the increase in property taxes and sales tax revenues.

### 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 increased total budgeted revenues by \$577,978.

**Proprietary funds.** The County's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. At the end of the fiscal year, unrestricted net position of the water and sewer fund amounted to \$1,881,086, while the landfill fund has a net deficit of \$3,773. The decrease in net position in the proprietary funds was \$291,084. Other factors concerning the finances of these funds have already been addressed in the discussion of the County's business-type activities.

**Capital Assets.** The County's investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$12,523,096 (net of accumulated depreciation). These assets include land, construction in process, buildings, machinery, vehicles, and equipment.

Major capital asset transactions during the year include the following additions:

- **Purchase of a pumps at the water plant.**
- **Repairs and improvements to various County buildings.**
- **Purchase of new vehicles for sheriff, GITS and water departments.**
- **Construction in progress of a backup 911 emergency facility.**

Figure 4

## Gates County, North Carolina Management's Discussion and Analysis

Gates County, North Carolina  
Condensed Statement of Capital Assets (net of depreciation)  
As of June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,138,007	\$ 1,138,007	\$ 432,336	\$ 27,476	\$ 1,570,343	\$ 1,165,483
Construction in process	469,162	411,361	1,436,188	1,840,348	1,905,350	2,251,709
Buildings	5,795,252	5,795,252	-	-	5,795,252	5,795,252
Other improvements	756,778	714,183	-	-	756,778	714,183
Plant and distribution system	-	-	9,289,187	9,140,453	9,289,187	9,140,453
Equipment	1,419,380	1,394,549	437,041	437,041	1,856,421	1,831,590
Vehicles	1,369,743	1,208,001	250,871	223,863	1,620,614	1,431,864
<b>Subtotal</b>	<b>10,948,322</b>	<b>10,661,353</b>	<b>11,845,623</b>	<b>11,669,181</b>	<b>22,793,945</b>	<b>22,330,534</b>
Less accumulated depreciation	(4,144,265)	(3,784,072)	(6,126,584)	(5,911,634)	(10,270,849)	(9,695,706)
<b>Total</b>	<b>\$ 6,804,057</b>	<b>\$ 6,877,281</b>	<b>\$ 5,719,039</b>	<b>\$ 5,757,547</b>	<b>\$ 12,523,096</b>	<b>\$ 12,634,828</b>

Additional information on the County's capital assets can be found in the notes to the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2017, Gates County had no bonded debt outstanding. The County's total debt outstanding was \$3,222,655. This debt consists of notes payable to BB&T Governmental Finance for expansion of public school facilities and construction of the Social Services building. Other long-term obligations include compensated absences, net pension liabilities, and other postemployment benefits.

**Figure 5**

Gates County, North Carolina  
Condensed Statement of Long-term Debt  
As of June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Notes payable	\$ 3,222,655	\$ 4,064,392	\$ -	\$ -	\$ 3,222,655	\$ 4,064,392
OPEB liability	2,220,222	2,046,494	175,447	164,152	2,395,669	2,210,646
Pension liability - LGERS	918,942	198,994	61,577	12,702	980,519	211,696
Pension liability - LEOSSA	167,183	158,357	-	-	167,183	158,357
Compensated absences	315,500	296,320	20,320	18,012	335,820	314,332
<b>Total</b>	<b>\$ 6,844,502</b>	<b>\$ 6,764,557</b>	<b>\$ 257,344</b>	<b>\$ 194,866</b>	<b>\$ 7,101,846</b>	<b>\$ 6,959,423</b>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for Gates County is \$76,086,081.

Additional information on the County's long-term debt can be found in notes to the Basic Financial Statements.

# Gates County, North Carolina Management's Discussion and Analysis

## Economic Factors and Next Year's Budgets and Rates

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

- The tax rate increased from \$0.64 to \$0.68 per \$100 of assessed property value. The increase was to offset additional funding request for the Rescue Squad
- Gates County's unemployment rate as of June 30, 2017 was 4.2%, which is equal to the state average.

## Budget Highlights for the Fiscal Year Ending June 30, 2018

**Governmental Activities:** The tax rate will increase by \$0.08 from \$0.68 to \$0.76. Gates County completed a revaluation of all property in the County which resulted in a decrease in total property values. The revenue neutral tax rate is \$0.75.

**Business-type Activities:** For fiscal year 2017 – 2018, water, sewer and solid waste fees will remain the same.

## Requests for Information

This report is designed to provide an overview of Gates County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the County Manager, Gates County, 200 Court Street, Gatesville, NC 27938. You can also call 252-357-3141, visit our website <http://www.gatescounty.govoffice2.com> or send an email to [nroutree@gatescountync.gov](mailto:nroutree@gatescountync.gov) for more information.

**Gates County, North Carolina**  
**Statement of Net Position**  
**June 30, 2017**  
**Exhibit 1**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Gates County ABC Board
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 4,397,083	\$ 1,860,385	\$ 6,257,468	\$ 54,086
Restricted cash and cash equivalents	134,817	-	134,817	-
Receivables, net	284,699	317,599	602,298	-
Due from other governments	915,845	11,931	927,776	-
Internal balances	53,440	(53,440)	-	-
Inventories	-	35,750	35,750	136,777
Prepaid items	-	-	-	2,050
<b>Total current assets</b>	<b>5,785,884</b>	<b>2,172,225</b>	<b>7,958,109</b>	<b>192,913</b>
Net pension asset	17,898	-	17,898	-
Capital assets:				
Land, improvements, and construction in progress	1,607,169	1,868,524	3,475,693	-
Other capital assets, net of depreciation	5,196,888	3,850,515	9,047,403	573,172
<b>Total capital assets</b>	<b>6,804,057</b>	<b>5,719,039</b>	<b>12,523,096</b>	<b>573,172</b>
<b>Total assets</b>	<b>12,607,839</b>	<b>7,891,264</b>	<b>20,499,103</b>	<b>766,085</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>807,101</b>	<b>53,012</b>	<b>860,113</b>	<b>5,034</b>

The accompanying footnotes are an integral part of these financial statements.

**Gates County, North Carolina**  
**Statement of Net Position**  
**June 30, 2017**  
**Exhibit 1**

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		Gates County ABC Board
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	171,268	87,728	258,996	54,084
Accrued interest	40,440	-	40,440	-
Current portion of compensated absences	78,875	5,080	83,955	-
Notes payable - due within one year	544,870	-	544,870	-
Long-term liabilities:				
Net pension liability - LGERS	918,942	61,577	980,519	7,004
Net pension liability - LEOSSA	167,183	-	167,183	-
Compensated absences	236,625	15,240	251,865	-
Other post-employment benefits	2,220,222	175,447	2,395,669	-
Notes payable - due in more than one year	2,677,785	-	2,677,785	-
<b>Total liabilities</b>	<b>7,056,210</b>	<b>345,072</b>	<b>7,401,282</b>	<b>61,088</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>77,600</b>	<b>2,852</b>	<b>80,452</b>	<b>342</b>
<b>NET POSITION</b>				
Net investment in capital assets	5,748,069	5,719,039	11,467,108	573,172
Restricted for:				
Stabilization by State Statute	973,166	-	973,166	-
Emergency telephone system	88,603	-	88,603	-
Register of Deeds	5,963	-	5,963	-
School capital outlay	271,553	-	271,553	-
Tax revaluation	128,854	-	128,854	-
Working capital	-	-	-	21,682
Unrestricted	(935,078)	1,877,313	942,235	114,835
<b>Total net position</b>	<b>\$ 6,281,130</b>	<b>\$ 7,596,352</b>	<b>\$ 13,877,482</b>	<b>\$ 709,689</b>

The accompanying footnotes are an integral part of these financial statements.

**Gates County, North Carolina**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**  
**Exhibit 2**

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 1,852,218	\$ 74,450	\$ 15,170	\$ -
Public safety	2,544,795	69,207	136,307	3,413
Human services	2,114,509	29,719	1,926,199	-
Education	2,968,896	-	-	111,020
Economic and physical development	908,792	88,285	75,684	-
Cultural and recreation	376,058	-	-	-
Interest on debt	79,328	-	-	-
<b>Total governmental activities</b>	<b>10,844,596</b>	<b>261,661</b>	<b>2,153,360</b>	<b>114,433</b>
Business-type activities:				
Landfill	872,819	594,126	-	-
Water	1,188,810	1,130,437	-	-
<b>Total business-type activities</b>	<b>2,061,629</b>	<b>1,724,563</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 12,906,225</b>	<b>\$ 1,986,224</b>	<b>\$ 2,153,360</b>	<b>\$ 114,433</b>
Component units:				
Gates County ABC Board	\$ 731,321	726,953	\$ -	\$ -
<b>Total component units</b>	<b>\$ 731,321</b>	<b>\$ 726,953</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying footnotes are an integral part of these financial statements.

**Gates County, North Carolina**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**  
**Exhibit 2**

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Gates County ABC Board
<u>Primary government:</u>				
Governmental activities:				
General government	\$ (1,762,598)	\$ -	\$ (1,762,598)	
Public safety	(2,335,868)	-	(2,335,868)	
Human services	(158,591)	-	(158,591)	
Education	(2,857,876)	-	(2,857,876)	
Economic and physical development	(744,823)	-	(744,823)	
Cultural and recreation	(376,058)	-	(376,058)	
Interest on debt	(79,328)	-	(79,328)	
<b>Total governmental activities</b>	<b>(8,315,142)</b>	<b>-</b>	<b>(8,315,142)</b>	
Business-type activities:				
Landfill		(278,693)	(278,693)	
Water	-	(58,373)	(58,373)	
<b>Total business-type activities</b>	<b>-</b>	<b>(337,066)</b>	<b>(337,066)</b>	
<b>Total primary government</b>	<b>\$ (8,315,142)</b>	<b>\$ (337,066)</b>	<b>\$ (8,652,208)</b>	
<u>Component units:</u>				
Gates County ABC Board				\$ (4,368)
<b>Total component units</b>				<b>(4,368)</b>
General revenues:				
Property taxes, levied for general purposes	\$ 6,837,996	\$ -	\$ 6,837,996	\$ -
Local option sales taxes	2,508,401	-	2,508,401	-
Other taxes and licenses	275,825	-	275,825	-
Unrestricted Intergovernmental	62,967	28,602	91,569	-
Investment earnings, unrestricted	8,744	11,480	20,224	-
Miscellaneous, unrestricted	2,636	-	2,636	-
Gain on disposal of capital assets	5,540	5,900	11,440	-
<b>Total general revenues</b>	<b>9,702,109</b>	<b>45,982</b>	<b>9,748,091</b>	<b>-</b>
<b>Change in net position</b>	<b>1,386,967</b>	<b>(291,084)</b>	<b>1,095,883</b>	<b>(4,368)</b>
Net position, beginning as previously reported	4,871,072	7,887,436	12,758,508	714,057
Prior period adjustment	23,091	-	23,091	-
<b>Net position - beginning, as restated</b>	<b>4,894,163</b>	<b>7,887,436</b>	<b>12,781,599</b>	<b>714,057</b>
<b>Net position - ending</b>	<b>\$ 6,281,130</b>	<b>\$ 7,596,352</b>	<b>\$ 13,877,482</b>	<b>\$ 709,689</b>

The accompanying footnotes are an integral part of these financial statements.

**Gates County, North Carolina**  
**Balance Sheet – Governmental Funds**  
**June 30, 2017**  
**Exhibit 3**

	Major	Non-Major	Total
	General	Other Governmental Funds	Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,893,782	500,114	\$ 4,393,896
Restricted cash and cash equivalents	134,817	-	134,817
Receivables, net	284,699	-	284,699
Due from other funds	55,400	-	55,400
Due from other governments	903,777	12,068	915,845
<b>Total assets</b>	<b>\$ 5,272,475</b>	<b>\$ 512,182</b>	<b>\$ 5,784,657</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 154,611	\$ 16,657	\$ 171,268
Customer deposits	-	-	-
Due to other funds	1,190	770	1,960
<b>Total liabilities</b>	<b>155,801</b>	<b>17,427</b>	<b>173,228</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>316,138</b>	<b>-</b>	<b>316,138</b>
<b>Fund balances:</b>			
<b>Restricted:</b>			
Stabilization by State Statute	961,098	12,068	973,166
Register of Deeds	5,963	-	5,963
School capital outlay	-	271,553	271,553
Emergency telephone system	-	88,603	88,603
Tax revaluation	128,854	-	128,854
<b>Committed:</b>			
Capital outlay	-	123,301	123,301
<b>Assigned:</b>			
Subsequent year's expenditures	-	-	-
<b>Unassigned:</b>			
	3,704,621	(770)	3,703,851
<b>Total fund balances</b>	<b>4,800,536</b>	<b>494,755</b>	<b>5,295,291</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,272,475</b>	<b>\$ 512,182</b>	<b>\$ 5,784,657</b>

The accompanying footnotes are an integral part of these financial statements.

**Gates County, North Carolina**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2017**  
**Exhibit 3**

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

Total fund balance - governmental funds	\$ 5,295,291
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,804,057
Net pension asset	17,898
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	203,497
Benefits payments and administrative costs for LEOSSA	9,935
Net pension liability - LGERS	(918,942)
Net pension liability - LEOSSA	(167,183)
Pension related deferrals	547,973
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds	
Deferred inflows of resources for taxes receivable	284,234
Some liabilities, including notes payable, accrued interest, compensated absences and other postemployment benefits are not due and payable in the current period and are not reported in the fund statements.	
Long-term debt	(3,222,655)
Other post employment benefits	(2,220,222)
Compensated absences	(315,500)
Accrued interest	(40,440)
The assets and liabilities of the Internal service Fund is included in the governmental activities in the Statement of Net position	3,187
Net position of governmental activities	\$ 6,281,130

The accompanying footnotes are an integral part of these financial statements.

**Gates County, North Carolina**  
**Statement Of Revenues, Expenditures, and Changes in**  
**Fund Balances – Governmental Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**Exhibit 4**

	Major	Non-Major	
	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Ad valorem taxes	\$ 6,812,573	\$ -	\$ 6,812,573
Local option sales taxes	2,508,401	-	2,508,401
Other taxes and licenses	29,686	246,139	275,825
Unrestricted intergovernmental	62,967	-	62,967
Restricted intergovernmental	2,168,666	99,127	2,267,793
Permits and fees	159,461	-	159,461
Sales and services	102,200	-	102,200
Investment earnings	7,735	1,009	8,744
Miscellaneous	2,636	-	2,636
<b>Total revenues</b>	<b>11,854,325</b>	<b>346,275</b>	<b>12,200,600</b>
<b>EXPENDITURES</b>			
Current:			
General government	1,534,465	-	1,534,465
Public safety	2,187,170	421,557	2,608,727
Human services	2,031,136	-	2,031,136
Education	2,914,000	54,896	2,968,896
Economic and physical development	883,415	-	883,415
Cultural and recreational	347,355	-	347,355
Capital outlay	53,070	9,864	62,934
Debt Service:			
Principal	841,737	-	841,737
Interest	110,141	-	110,141
<b>Total expenditures</b>	<b>10,902,489</b>	<b>486,317</b>	<b>11,388,806</b>
Excess (deficiency) of revenues over expenditures	951,836	(140,042)	811,794
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from the sale of capital assets	5,540	-	5,540
Proceeds from issuance of debt	-	-	-
Transfers to other governments	-	-	-
Transfers from other funds	289,070	326,449	615,519
Transfers to other funds	(615,519)	-	(615,519)
<b>Total other financing sources and uses</b>	<b>(320,909)</b>	<b>326,449</b>	<b>5,540</b>
Net change in fund balance	630,927	186,407	817,334
Fund balances, beginning of year	4,169,609	308,348	4,477,957
<b>Fund balances-end of year</b>	<b>\$ 4,800,536</b>	<b>\$ 494,755</b>	<b>\$ 5,295,291</b>

The accompanying footnotes are an integral part of these financial statements.

**Gates County, North Carolina**

**Reconciliation of the Statement Of Revenues, Expenditures, and Changes in  
Fund Balances of the Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2017**

**Exhibit 4**

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

Net changes in fund balances - total governmental funds	\$	817,334
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 depreciation expense exceeded capital outlays in the current period.		(73,224)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Benefits payments and administrative costs for LEOSSA are deferred outflows of		203,497
on the Statement of net Position		9,935
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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		841,737
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements.		25,423
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.		
Other post employment benefits		(173,728)
Compensated absences		(19,180)
Accrued interest		30,813
Net pension Obligation - LEOSSA		(8,826)
Pension expenses		(266,814)
<b>Total changes in net position of governmental activities</b>	<b>\$</b>	<b>1,386,967</b>

The accompanying footnotes are an integral part of these financial statements.

**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, 2017**  
**Exhibit 5**

	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 6,603,106	\$ 6,605,606	\$ 6,812,573	\$ 206,967
Local option sales taxes	1,854,000	2,180,449	2,508,401	327,952
Other taxes and licenses	-	25,100	29,686	4,586
Unrestricted intergovernmental	-	67,600	62,967	(4,633)
Restricted intergovernmental	2,393,858	2,583,486	2,168,666	(414,820)
Permits and fees	261,078	134,550	155,134	20,584
Sales and services	32,455	121,955	102,200	(19,755)
Investment earnings	-	9,000	7,717	(1,283)
Miscellaneous	32,200	26,929	2,636	(24,293)
<b>Total revenues</b>	<b>11,176,697</b>	<b>11,754,675</b>	<b>11,849,980</b>	<b>95,305</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	1,501,782	1,540,192	1,431,947	108,245
Public safety	2,106,594	2,420,970	2,187,170	233,800
Human services	2,207,020	2,173,244	2,031,136	142,108
<b>Intergovernmental:</b>				
Education	2,714,000	2,714,000	2,714,000	-
Economic and physical development	1,066,430	1,101,531	883,415	218,116
Cultural and recreational	332,306	363,496	347,355	16,141
<b>Debt Service:</b>				
Principal	841,738	841,738	841,737	1
Interest	110,142	110,142	110,141	1
<b>Total expenditures</b>	<b>10,880,012</b>	<b>11,265,313</b>	<b>10,546,901</b>	<b>718,412</b>
Revenues over (under) expenditures	296,685	489,362	1,303,079	813,717
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to other funds	(296,685)	(623,134)	(615,519)	7,615
Proceeds from debt issuance	-	-	-	-
Proceeds from sale of capital assets	-	21,200	5,540	(15,660)
Transfer from other governments	-	-	-	-
<b>Total other financing sources and uses</b>	<b>(296,685)</b>	<b>(601,934)</b>	<b>(609,979)</b>	<b>(8,045)</b>
Revenues and other financing sources over (under) expenditures and other financing uses	-	(112,572)	693,100	805,672
Appropriated fund balance	-	112,662	-	(112,662)
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 90</b>	<b>693,100</b>	<b>\$ 693,010</b>
Fund balances, beginning of year			3,924,322	
Fund balances, end of year			\$ 4,617,422	

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

**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, 2017**  
**Exhibit 5**

Fund balances, ending - General Fund	\$ 4,617,422
The legally budgeted Revaluation Fund, Register of Deeds Automation Fund, Transit Fund and Capital improvement Fund are consolidated into the General Fund for reporting purposes:	
Investment earnings	18
Revenues - Register of Deeds Automation Fund	4,327
Expenditures - Revaluation Fund	(98,518)
Expenditures - Register of Deeds Automation Fund	(4,000)
Transfers to other governments	-
Transfers from other funds	36,000
Fund balance, beginning	245,287
Fund balance, ending (Exhibit 4)	\$ 4,800,536

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

**Gates County, North Carolina**  
**Statement of Fund Net Position – Proprietary Fund**  
**June 30, 2017**  
**Exhibit 6**

	Major			
	Landfill	Water		Internal
	Fund	Fund	Total	Service Fund
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ 1,860,385	\$ 1,860,385	\$ 3,187
Receivables, net	126,923	190,676	317,599	-
Due from other governments	2,279	9,652	11,931	-
Inventories	-	35,750	35,750	-
Total current assets	129,202	2,096,463	2,225,665	3,187
Noncurrent assets:				
Capital assets:				
Land and construction in progress	-	1,868,524	1,868,524	-
Other capital assets, net of depreciation	2,797	3,847,718	3,850,515	-
Total capital assets	2,797	5,716,242	5,719,039	-
Total noncurrent assets	2,797	5,716,242	5,719,039	-
Total assets	131,999	7,812,705	7,944,704	3,187
<b>Deferred Outflows of Resources</b>	-	53,012	53,012	-
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and accrued liabilities	79,535	8,193	87,728	-
Current portion of compensated absences	-	5,080	5,080	-
Due to other funds	53,440	-	53,440	-
Total current liabilities	132,975	13,273	146,248	-
Noncurrent liabilities:				
Compensated absences, net of current portion	-	15,240	15,240	-
Net pension liability	-	61,577	61,577	-
Other post-employment benefits	-	175,447	175,447	-
Total noncurrent liabilities	-	252,264	252,264	-
Total liabilities	132,975	265,537	398,512	-
<b>Deferred Inflows of Resources</b>	-	2,852	2,852	-
<b>Net Position:</b>				
Net investment in capital assets	2,797	5,716,242	5,719,039	-
Unrestricted	(3,773)	1,881,086	1,877,313	3,187
Total net position	\$ (976)	\$ 7,597,328	\$ 7,596,352	\$ 3,187

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

**Gates County, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund**  
**Net Position – Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**Exhibit 7**

	Major		Total	Internal Service Fund
	Landfill Fund	Water Fund		
<b>Operating Revenues:</b>				
Charges for services	\$ 581,039	\$ 1,041,972	\$ 1,623,011	\$ -
Other operating revenues	13,087	88,465	101,552	-
<b>Total operating revenues</b>	<b>594,126</b>	<b>1,130,437</b>	<b>1,724,563</b>	<b>-</b>
<b>Operating Expenses:</b>				
Water operations	-	958,225	958,225	-
Sewer operations	-	16,193	16,193	-
Landfill operations	872,261	-	872,261	-
Depreciation	558	214,392	214,950	-
<b>Total operating expenses</b>	<b>872,819</b>	<b>1,188,810</b>	<b>2,061,629</b>	<b>-</b>
 Operating income (loss)	 (278,693)	 (58,373)	 (337,066)	 -
<b>Non-Operating Revenues (Expenses):</b>				
Scrap tire disposal tax	15,717	-	15,717	-
White goods disposal tax	2,490	-	2,490	-
Solid waste disposal tax	9,524	-	9,524	-
Electronics Recycling Grant	871	-	871	-
Gain on sale of Capital assets	-	5,900	5,900	-
Investment earnings	42	11,438	11,480	-
<b>Total nonoperating revenues (expenses)</b>	<b>28,644</b>	<b>17,338</b>	<b>45,982</b>	<b>-</b>
 Change in net position	 (250,049)	 (41,035)	 (291,084)	 -
<b>Total net position - beginning of year</b>	<b>249,073</b>	<b>7,638,363</b>	<b>7,887,436</b>	<b>3,187</b>
<b>Total net position - end of year</b>	<b>\$ (976)</b>	<b>\$ 7,597,328</b>	<b>\$ 7,596,352</b>	<b>\$ 3,187</b>

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

**Gates County, North Carolina**  
**Statement of Cash Flows – Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**Exhibit 8**

	Major			Internal Service Fund
	Landfill Fund	Water Fund	Total	
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 738,002	\$ 1,022,022	\$ 1,760,024	\$ -
Cash paid for goods and services	(876,987)	(724,089)	(1,601,076)	-
Cash paid to employees for services	-	(244,372)	(244,372)	-
Other operating revenues	13,087	88,465	101,552	-
Net cash provided by (used in) operating activities	(125,898)	142,026	16,128	-
<b>Cash flows from noncapital financing:</b>				
Non-operating revenues	26,323	-	26,323	-
Increase (decrease) in due to other funds	53,440	-	53,440	-
Net cash provided by noncapital financing activities	79,763	-	79,763	-
<b>Cash flows from capital and related financing activities:</b>				
Proceeds from sale of capital assets	-	5,900	5,900	-
Acquisition of capital assets	-	(176,444)	(176,444)	-
Net cash used in capital and related financing activities	-	(170,544)	(170,544)	-
<b>Cash flows from investing activities:</b>				
Interest on investments	42	11,438	11,480	-
Net decrease in cash and cash equivalents	(46,093)	(17,080)	(63,173)	-
Cash and cash equivalents, beginning of year	46,093	1,877,465	1,923,558	3,187
Cash and cash equivalents, end of year	\$ -	\$ 1,860,385	\$ 1,860,385	\$ 3,187
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities:</b>				
Operating loss	\$ (278,693)	\$ (58,373)	\$ (337,066)	\$ -
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	558	214,392	214,950	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	156,963	(19,950)	137,013	-
Increase in due from other governments	-	(4,765)	(4,765)	-
Decrease in inventory	-	2,156	2,156	-
Decrease in accounts payable and accrued liabilities	(4,726)	(9,288)	(14,014)	-
Increase in deferred outflows of resources for pensions	-	(40,877)	(40,877)	-
Increase in net pension liability	-	48,875	48,875	-
Decrease in deferred inflows of resources for pensions	-	(3,747)	(3,747)	-
Increase in other post employment benefits liability	-	11,295	11,295	-
Increase in compensated absences	-	2,308	2,308	-
Total adjustments	152,795	200,399	353,194	-
Net cash provided by (used in) operating activities	\$ (125,898)	\$ 142,026	\$ 16,128	\$ -

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

**Gates County, North Carolina**  
**Statement of Fiduciary Net Position – Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**Exhibit 9**

		Agency Funds
<b>Assets:</b>		
Cash and cash equivalents	\$	37,325
Total assets	\$	37,325
<b>Liabilities:</b>		
Miscellaneous liabilities	\$	1,283
Due to other governments		36,042
Total liabilities	\$	37,325

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

## Gates County, North Carolina Notes to Financial Statements

### NOTE I. Summary of Significant Accounting Policies

The accounting policies of Gates County and its component units 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 (the Board) which has a June 30 year-end, is presented as if they were separate proprietary funds of the County (discrete presentation).

Component Unit	Reporting Method	Criteria for Inclusion	For Separate Financial Statements
Gates County ABC Board	Discrete	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.	Gates County ABC Board Post Office Box 88 Edenton, NC 27932

#### B. Basis of Presentation, Basis of Accounting

##### **Basis of Presentation, Measurement Focus – Basis of Accounting**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government net position (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.

##### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. Actual results may differ from those estimates. Estimates are used to determine depreciation expense and allowance for uncollectible accounts.

## Gates County, North Carolina Notes to Financial Statements

*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 non-major funds.

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

The County reports the following major governmental fund:

*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. The Transit Fund, Register of Deeds Automation Fund, Revaluation Fund and the Capital Improvement Program fund are legally budgeted funds under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 they are consolidated in the General Fund.

The County reports the following major enterprise funds:

*Landfill Fund:* This fund accounts for the operations of the County's Solid Waste activities. The County does not operate a landfill, but transfers solid waste to a regional landfill.

*Water Fund.* This fund is used to account for the operations of the water and sewer system within the County.

The County reports the following fund types:

*Agency Funds.* Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Trust Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to the Gates County Board of Education; and the Drainage District Funds which accounts fees collected on behalf of drainage districts in the County, Town of Gatesville Fund which accounts for taxes collected on behalf of the Town of Gatesville, and the Emergency Medical Services Fund, which accounts for ambulance fees collected on behalf of the Rescue Squad.

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

*Non-major Funds.* The County maintains several non-major funds. The Emergency Telephone System Fund, School Capital Outlay Fund, Fire Protection Fund, and Homeland Security Grant Fund are reported as non-major special revenue funds. The Old Courthouse Restoration Project is reported as a capital projects fund.

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

## Gates County, North Carolina Notes to Financial Statements

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. 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 non-operating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

## Gates County, North Carolina Notes to Financial Statements

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there is both restricted and unrestricted net position 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.

### **C. 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, the following Special Revenue Funds: Revaluation Fund, School Capital Outlay Fund, Capital Reserve Fund, Emergency Telephone System Fund, and the Water and Sewer Fund. All annual appropriations lapse at the fiscal year end.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and the project level for the multi-year funds. The County Manager has the authority to transfer the budget between line item expenditures within a department, excluding salary and benefit line items. The governing board must approve all other amendments. During the year, several 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.

### **D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Equity**

#### **1. Deposits and Investments**

All deposits of the County and the 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).

## Gates County, North Carolina Notes to Financial Statements

The majority of the County and the ABC Board investments are carried at fair value. Non-participating interest earnings contracts are accounted for at cost. The NC Capital Management Trust Government Portfolio, a SEC-registered external investment pool meets all of the specified criteria in Section 150: Investments of the GASB Codification to qualify to elect to measure their investments at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

### **2. Cash and Cash Equivalents**

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

Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. Money in the School Capital Projects Fund and Debt Service Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 159-18 through 22. Restricted cash and cash equivalents consists of the following at June 30, 2017:

Gates County Restricted Cash			
Governmental Activities			
General Fund	Register of Deeds	\$	5,963
General Fund	Tax revaluation		128,854
Total Governmental Activities		\$	134,817
Total Restricted Cash		\$	134,817

### **4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2015.

### **5. Allowance for Doubtful Accounts**

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

**6. Inventories and Prepaid Items**

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**7. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization costs are as follows: land, buildings, improvements, substations, lines and other plant and distribution systems, infrastructure, furniture, equipment and vehicles, \$5,000. 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. Any interest incurred during the construction phase of proprietary fund type capital assets is reflected in the capitalized value of the asset constructed.

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

	<u>Useful Life</u>
Buildings	40 years
Furniture and equipment	5-10 years
Vehicles	5 years
Plant and distribution systems	40 years

**8. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and therefore, it will not be recognized as an expense or expenditure until then. The County has several items that meet the criterion – pension related deferrals and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so it will not be recognized as revenue until then. The County has only two items that meets the criterion for this category – prepaid taxes and other pension related deferrals.

**9. 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 on the statements of net position.

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

**10. Compensated Absences**

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

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 neither the County nor the ABC Board has any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**11. Net Position/Fund Balances**

**Net Position**

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

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

Non-spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. There is not any non-spendable fund balances.

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted by Stabilization of State Statute – portion of fund balance that is restricted by state statute [G.S. 159-8(a)].

Restricted for Register of Deeds – portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.

Restricted for School Capital Outlay– portion of fund balance that is restricted by revenue source that can only be used for school capital outlay.

Restricted for Emergency Telephone System – portion of fund balance that is restricted by revenue source for the 911 system [G.S. 143-1406].

Restricted for Tax Revaluation – portion of fund balance that can only be used for Tax Revaluation by state statute [G.S. 153A-150].

## Gates County, North Carolina Notes to Financial Statements

Committed Fund Balance – Portion of fund balance that can only be used for a specific purpose imposed by majority vote of Gates County’s governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Committed for Capital Outlay – portion of fund balance that can only be used for governmental capital construction, improvement projects, and other capital outlay.

Assigned Fund Balance – portion of fund balance that the Gates County governing board has budgeted.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorized the manager to modify the appropriations within departments in a fund, excluding salaries or other benefit line items.

Unassigned Fund Balance – Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

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

### **12. Defined Benefit Pension Plans**

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

**Gates County, North Carolina**  
**Notes to Financial Statements**

**E. 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 position.

The governmental fund balance sheet includes reconciliation between total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$985,839 consists of several elements as follows:

Description	Amount
Total fund balance - governmental funds	\$ 5,295,291
Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 10,948,322
Less accumulated depreciation	(4,144,265)
<b>Net capital assets</b>	<b>6,804,057</b>
Net pension asset	17,898
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	203,497
Benefits payments and administrative costs for LEOSSA	9,935
Net pension liability - LGERS	(918,942)
Net pension liability - LEOSSA	(167,183)
Pension related deferrals	547,973
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds	
Deferred inflows of resources for taxes receivable	284,234
Some liabilities, including notes payable, accrued interest, compensated absences and other postemployment benefits are not due and payable in the current period and are not reported in the fund statements.	
Long-term debt	(3,222,655)
Other post employment benefits	(2,220,222)
Compensated absences	(315,500)
Accrued interest	(40,440)
The assets and liabilities of the Internal service Fund is included in the governmental activities in the Statement of Net position	3,187
<b>Total Adjustment</b>	<b>985,839</b>
<b>Net position of governmental activities</b>	<b>\$ 6,281,130</b>

## Gates County, North Carolina Notes to Financial Statements

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in net position of governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The total adjustment of \$569,633 is comprised of the following:

Description	Amount
Net changes in fund balances - total governmental funds	\$ 817,334
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	369,238
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	(442,462)
Cost of disposed capital asset not recorded in fund statements	-
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	203,497
Benefits payments and administrative costs for LEOSSA are deferred outflows of resources on the Statement of net Position	9,935
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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	841,737
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements.	25,423
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.	
Other post employment benefits	(173,728)
Compensated absences	(19,180)
Accrued interest	30,813
Net pension Obligation - LEOSSA	(8,826)
Pension expenses	(266,814)
<b>Total Adjustment</b>	<b>569,633</b>
<b>Total changes in net position of governmental activities</b>	<b>\$ 1,386,967</b>

**Reclassifications**

Certain reclassifications have been made to the 2016 comparative information to conform to the 2017 presentation. Such reclassifications have no effect on net position or fund balances.

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

**A. Deficit Fund Balance in an Individual Fund**

For the fiscal year ended June 30, 2017, the following fund carried deficit fund balances.

Landfill Fund \$976

**B. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2017, the following departments' expenditures exceeded amount approved in the budget ordinance and subsequent amendments.

Landfill Fund	\$49,378
Albemarle Mental Health Center	274
Legal	28
Medical Examiner	3,300

**Note 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 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, the ABC Board, or the 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.

## Gates County, North Carolina Notes to Financial Statements

The State Treasurer enforces standards of minimum capitalization for all Pooling Method financial institutions. The County, the Authority, and the ABC Board rely on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County, the Authority, and the ABC Board do not have policies regarding custodial credit risk for deposits.

At June 30, 2017, County's deposits had a carrying amount of \$6,377,984 and a bank balance of \$6,464,748. Of the bank balance, \$250,000 was covered by federal depository insurance and \$6,214,748 was covered by collateral held under the Pooling Method.

At June 30, 2017, Gates County had \$1,050 cash on hand.

At June 30, 2017, the carrying amount of deposits for Gates County ABC Board was \$52,686 and the bank balance was \$53,643. All of the bank balance was covered by federal depository insurance.

At June 30, 2017, the Gates County ABC Board had \$1,400 cash on hand.

### 2. Investments

At June 30, 2017, the County had the following investments and maturities.

Investments by Type	Valuation		Fair Value at 6/30/17	Less Than 6 months	6 - 12 Months
	Measurement Method				
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$	25,187	N/A	N/A
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	\$	25,389	\$ 25,389	-
<b>Total</b>		\$	<b>50,576</b>		

\* Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 months.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. The County does not have a formal investment policy.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level Two debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits the County's investment portfolio to maturities of less than 12 months.

## Gates County, North Carolina Notes to Financial Statements

*Credit risk.* The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2017. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended.

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

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. 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	Valuation	Tax	Interest	Total
2013	\$ 208,787,436	\$ 1,336,240	\$ -	\$ 1,336,240
2014	209,310,852	1,339,590	-	1,339,590
2015	216,939,271	1,388,411	-	1,388,411
2016	210,015,854	1,428,108	-	1,428,108
	<u>\$ 845,053,413</u>	<u>\$ 5,492,349</u>	<u>\$ -</u>	<u>\$ 5,492,349</u>

### 4. Receivables

Receivables at the government-wide level at June 30, 2017, were as follows:

	Accounts	Taxes Receivable	Due from Other Governments	Total
<b>Governmental Activities:</b>				
General fund	\$ 10,072	\$ 510,343	\$ 903,777	\$ 1,424,192
Other governmental	-	-	12,068	12,068
Total receivables	10,072	510,343	915,845	1,436,260
Allowance for doubtful accounts	(9,607)	(226,109)	-	(235,716)
<b>Total governmental activities</b>	<b>\$ 465</b>	<b>\$ 284,234</b>	<b>\$ 915,845</b>	<b>\$ 1,200,544</b>
<b>Business-type Activities:</b>				
Water and sewer	\$ 228,560	\$ -	\$ 9,652	\$ 238,212
Landfill Fund	336,289	-	2,279	338,568
Total receivables	564,849	-	11,931	576,780
Allowance for doubtful accounts				
Water and sewer	(37,884)	-	-	(37,884)
Landfill Fund	(209,366)	-	-	(209,366)
<b>Total business-type activities</b>	<b>\$ 317,599</b>	<b>\$ -</b>	<b>\$ 11,931</b>	<b>\$ 329,530</b>

## Gates County, North Carolina Notes to Financial Statements

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

	Governmental Activities	Business-type Activities
NC Department of Revenue		
Local option sales tax	\$ 540,201	\$ -
Sales taxes refund	25,803	9,652
Medicaid hold harmless	5,243	-
Scrap tire disposal tax	4,178	-
White goods tax	-	2,279
NC Department of Transportation		
NC Department of Transportation grant	10,332	-
Motor vehicle taxes NC Division of Motor Vehicles	55,841	-
NC education lottery	26,600	-
Payment in Lieu of tax - US Department of Interior	9,872	-
911 surcharge	7,976	-
Department of Social Services		
Social Services Administrative Reimbursement	181,289	-
Department of Social Services Child care	17,373	-
Home and Community Care Block grant	7,202	-
Other state and federal grants	23,935	-
<b>Total</b>	<b>\$ 915,845</b>	<b>\$ 11,931</b>

**Gates County, North Carolina  
Notes to Financial Statements**

**5. Capital Assets**

**Primary Government**

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,138,007	\$ -	\$ -	\$ 1,138,007
Construction in process	411,361	57,801	-	469,162
<b>Total capital assets not being depreciated</b>	<b>1,549,368</b>	<b>57,801</b>	<b>-</b>	<b>1,607,169</b>
Capital assets being depreciated:				
Buildings	5,795,252	-	-	5,795,252
Other improvements	714,183	42,595	-	756,778
Equipment	1,394,549	24,831	-	1,419,380
Vehicles	1,208,001	244,011	82,269	1,369,743
<b>Total capital assets being depreciated</b>	<b>9,111,985</b>	<b>311,437</b>	<b>82,269</b>	<b>9,341,153</b>
Less accumulated depreciation for:				
Buildings	2,056,108	126,547	-	2,182,655
Other improvements	157,701	46,965	-	204,666
Equipment	702,966	109,018	-	811,984
Vehicles	867,297	159,932	82,269	944,960
<b>Total accumulated depreciation</b>	<b>3,784,072</b>	<b>\$ 442,462</b>	<b>\$ 82,269</b>	<b>4,144,265</b>
<b>Total Capital assets being depreciated, net</b>	<b>5,327,913</b>			<b>5,196,888</b>
<b>Governmental activity capital assets, net</b>	<b>\$ 6,877,281</b>			<b>\$ 6,804,057</b>

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

Governmental activities:	
General government	\$ 71,463
Public safety	123,946
Economic and physical development	134,977
Human services	83,373
Cultural and recreational	28,703
<b>Total</b>	<b>\$ 442,462</b>

**Gates County, North Carolina  
Notes to Financial Statements**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-Type Activities:</b>				
<b>Water fund</b>				
Capital assets not being depreciated:				
Land	\$ 27,476	\$ 404,860	\$ -	\$ 432,336
Construction in process	1,840,348	702	404,862	1,436,188
<b>Total capital assets not being depreciated</b>	<b>1,867,824</b>	<b>405,562</b>	<b>404,862</b>	<b>1,868,524</b>
Capital assets being depreciated:				
Plant and distribution systems	9,134,858	148,734	-	9,283,592
Furniture and equipment	437,041	-	-	437,041
Vehicles	223,863	27,008	-	250,871
<b>Total capital assets being depreciated</b>	<b>9,795,762</b>	<b>175,742</b>	<b>-</b>	<b>9,971,504</b>
Less accumulated depreciation for:				
Plant and distribution systems	5,300,301	180,822	-	5,481,123
Furniture and equipment	420,299	14,280	-	434,579
Vehicles	188,794	19,290	-	208,084
<b>Total accumulated depreciation</b>	<b>5,909,394</b>	<b>\$ 214,392</b>	<b>\$ -</b>	<b>6,123,786</b>
<b>Total Capital assets being depreciated, net</b>	<b>3,886,368</b>			<b>3,847,718</b>
<b>Water fund capital assets, net</b>	<b>5,754,192</b>			<b>5,716,242</b>
<b>Landfill fund</b>				
Capital assets being depreciated:				
Plant and distribution systems	\$ 5,595	\$ -	\$ -	\$ 5,595
<b>Total capital assets being depreciated</b>	<b>5,595</b>	<b>-</b>	<b>-</b>	<b>5,595</b>
Less accumulated depreciation for:				
Plant and distribution systems	2,240	558	-	2,798
<b>Total accumulated depreciation</b>	<b>2,240</b>	<b>558</b>	<b>-</b>	<b>2,798</b>
<b>Total Capital assets being depreciated, net</b>	<b>3,355</b>			<b>2,797</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 5,757,547</b>			<b>\$ 5,719,039</b>

Construction commitments

The County has active construction projects at June 30, 2017. At year-end, the County's commitments with contractors are as follows:

Project	Spent-To-Date	Remaining Commitment
MESCO - Waste Water Treatment Facility Project	\$ -	\$ 564,435
<b>Total</b>	<b>\$ -</b>	<b>\$ 564,435</b>

**Gates County, North Carolina  
Notes to Financial Statements**

**Discretely presented component units**

Activity for the ABC Board for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 33,534	\$ -	\$ -	\$ 33,534
Total capital assets not being depreciated	33,534	-	-	33,534
Capital assets being depreciated:				
Buildings	577,067	-	-	577,067
Other improvements	11,600	-	-	11,600
Furniture and equipment	95,766	-	-	95,766
Computer equipment and software	20,179	-	-	20,179
Total capital assets being depreciated	704,612	-	-	704,612
Less accumulated depreciation for:				
Buildings	82,717	17,401	-	100,118
Other improvements	967	580	-	1,547
Furniture and equipment	37,289	9,577	-	46,866
Computer equipment and software	14,425	2,018	-	16,443
Total accumulated depreciation	135,398	\$ 29,576	\$ -	164,974
Total Capital assets being depreciated, net	569,214			539,638
<b>ABC Board capital assets, net</b>	<u>\$ 602,748</u>			<u>\$ 573,172</u>

**B. Liabilities**

**1. Payables**

Payables at June 30, 2017 were as follows:

	Vendors	Accrued Interest	Total
Governmental Activities:			
General	\$ 154,611	\$ 40,440	\$ 195,051
Other Governmental	16,657	-	16,657
Total governmental activities	\$ 171,268	\$ 40,440	\$ 211,708
Business-Type Activities			
Water and sewer	\$ 8,193	-	\$ 8,193
Landfill Fund	79,535	-	79,535
Total business-type activities	\$ 87,728	-	\$ 87,728

**2. Pension Plan and Other Post Employment Obligations**

**a. Local Governmental Employee's Retirement System**

Plan Description

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

Benefits Provided

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

## Gates County, North Carolina Notes to Financial Statements

### Contributions

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2017, was 8.00% of compensation for law enforcement officers and 7.34% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$202,740 for the year ended June 30, 2017.

### Refunds of Contributions

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

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

At June 30, 2017, the County reported a liability of \$980,519 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the County's proportion was .04620%, which was a decrease of .00097% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$265,093. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

## Gates County, North Carolina Notes to Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,422	\$ 34,358
Changes in assumptions	67,157	-
Net difference between projected and actual earnings on pension plan investments	542,103	-
Changes in proportion and differences between County contributions and proportionate share of contributions	13,714	11,063
County contributions subsequent to the measurement date	202,740	-
Total	\$ 844,136	\$ 45,421

\$202,740 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 92,998
2019	93,041
2020	256,650
2021	153,286
2022	-
Thereafter	-
	\$ 595,975

### Actuarial Assumptions

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

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

## Gates County, North Carolina Notes to Financial Statements

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.00%	1.40%
Global Equity	42.00%	5.30%
Real Estate	8.00%	4.30%
Alternatives	8.00%	8.90%
Credit	7.00%	6.00%
Inflation Protection	6.00%	4.00%
<b>Total</b>	<b>100.00%</b>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. All rates of return and inflation are annualized.

### Discount rate

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

### Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate

## Gates County, North Carolina Notes to Financial Statements

The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be as if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	\$ 2,327,228	\$ 980,519	\$ (144,353)

### Pension plan fiduciary net position

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

### **b. Law Enforcement Officers' Special Separation Allowance**

#### Plan Description

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

All full time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	13
Total	14

A separate report was not issued for the plan.

#### Summary of Significant Accounting Policies:

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

The Separation Allowance has no assets accumulated in a trust that's meets the following criteria which are outlined in GASB Statement 73:

## Gates County, North Carolina Notes to Financial Statements

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

### Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.0 percent

Salary increases 3.50 to 7.35 percent, including inflation and productivity factor

Discount rate 3.86 percent

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at end of each month. Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

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

### Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. Administrative costs of the Separation Allowance are financed through investment earnings. The County paid \$14,903 as benefits came due for the reporting period.

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

At June 30, 2017, the County reported a total pension liability of \$167,183. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$16,557.

## Gates County, North Carolina Notes to Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	2,590
Benefit payments and administrative expenses subsequent to the measurement date	9,935	-
<b>Total</b>	<b>\$ 9,935</b>	<b>\$ 2,590</b>

\$9,935 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$		(472)
2019			(472)
2020			(472)
2021			(472)
2022			(472)
Thereafter			(230)
			<u>\$ (2,590)</u>

\$9,935 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

*Sensitivity of the County's total pension liability to changes in the discount rate.* The following presents the County's total pension liability calculated using the discount rate of 3.86 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 178,041	\$ 167,183	\$ 157,156

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**Gates County, North Carolina  
Notes to Financial Statements**

Beginning balance	\$ 158,357
Service cost	11,291
Interest on the total pension liability	5,565
Changes of benefit terms	-
Difference between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(3,062)
Benefits payments	(4,968)
Other	-
Net changes	8,826
Ending balance of the total pension liability	\$ 167,183

**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. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy

Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were \$42,077, which consisted of \$23,194 from the County and \$18,883 from the law enforcement officers. The County does not contribute to the plan for other employees.

**d. Supplemental Retirement Income Plan for General Government Employees**

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 individuals employed by the general government of the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for General Government Employees is included in the Comprehensive Annual Financial report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the

## Gates County, North Carolina Notes to Financial Statements

Supplemental Retirement Income Plan for General Government Employees. 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.

The general government employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were \$17,314, which consisted of \$-0- from the County and \$17,314 from the general government employees.

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

#### Plan Description

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

#### Benefits Provided

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

#### Contributions

Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$757 for the year ended June 30, 2017.

## Gates County, North Carolina Notes to Financial Statements

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

At June 30, 2017, the County reported an asset of \$17,898 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2017, the County's proportion was .09573%, which was an increase of .00144% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$3,378. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19	\$ 232
Changes in assumptions	4,768	-
Net difference between projected and actual earnings on pension plan investments	30	-
Changes in proportion and differences between County contributions and proportionate share of contributions	468	305
County contributions subsequent to the measurement date	757	-
Total	\$ 6,042	\$ 537

\$757 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 2,146
2019	2,009
2020	798
2021	(205)
2022	-
Thereafter	-
	\$ 4,748

Actuarial Assumptions

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

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2017 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate

The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the

## Gates County, North Carolina Notes to Financial Statements

current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate

The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 5.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$ (14,431)	\$ (17,898)	\$ (20,810)

### Pension plan fiduciary net position

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

## **f. Other Post-employment Benefits**

### **Healthcare Benefits**

#### Plan Description

Under the terms of a County resolution, the County administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides postemployment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System), have 20 years of creditable service with the County, and meet certain requirements for full retirement under the Local Government Employee's Retirement System. At age 65, The County transfers the retiree from the group plan to a Medicare Supplement. The County pays the full cost of coverage for these benefits through private insurers. The County Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

#### Funding Policy.

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

#### Summary of Significant Accounting Policies

Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In fiscal year ended, June 30, 2017, the County's total contributions were \$82,316.

## Gates County, North Carolina Notes to Financial Statements

### Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$	263,387
Interest on net OPEB obligation		88,426
Adjustment to annual required contribution		(84,474)
Annual OPEB cost (expense)		267,339
Contributions made		(82,316)
Increase (decrease) in net OPEB obligation		185,023
Net OPEB obligation, beginning of year		2,210,646
Net OPEB obligation, end of year	\$	2,395,669

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

Fiscal Year Ended <u>June 30</u>	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 319,625	12.60%	\$ 2,008,954
2016	\$ 266,978	24.50%	\$ 2,210,646
2017	\$ 267,339	30.80%	\$ 2,395,669

### Funded Status and Funding Progress

As of June 30, 2017, the actuarial accrued liability for benefits was \$3,128,725, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,753,311, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 113.6 percent. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

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

The following simplifying assumptions were made:

*Retirement age for active employees* – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

*Marital status* – Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality* – Life expectancies were based on mortality tables from the National Center for Health.

Statistics. The 2005 United States Life Tables for Males and for Females were used.

*Turnover* – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

*Healthcare cost trend rate* – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 9.5 percent initially, reduced to an ultimate rate of 5.6 percent after six years, was used.

*Health insurance premiums* – 2016 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation rate* – The expected long-term inflation assumption of 3.3 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2013 Annual Report of the Board of Trustees of Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

*Payroll growth rate* – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the County's short-term investment portfolio, a discount rate of 4.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017, was 30 years.

**Gates County, North Carolina  
Notes to Financial Statements**

**g. Other Employment Benefits**

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be the minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. For the fiscal year ended June 30, 2017, the County made contributions to the State for death benefits of \$2,708. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.09% and 0.14% of covered payroll, respectively. The County considers these contributions to be immaterial.

**3. Deferred Outflows and Inflows of Resources**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions - differences between expected and actual experience	\$ 18,441	\$ 34,590
Pensions - changes in assumptions	71,925	2,590
Pensions - difference between projected and actual earnings on pension plan investments	542,133	-
Pension - change in proportion and difference between employer contributions and proportionate share of contributions	14,182	11,368
Benefit payments and administrative costs for LEOSSA	9,935	-
Contributions to pension plan subsequent to the measurement date	203,497	-
Prepaid taxes not year earned (General Fund)	-	31,904
	\$ 860,113	\$ 80,452

**4. Risk Management**

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error 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 \$18,827,100 for any one occurrence, general, auto, professional, employment practices liability coverage of \$2 million per occurrence, cyber liability coverage of \$1 million per occurrence, auto physical damage coverage for owned autos at

## Gates County, North Carolina Notes to Financial Statements

actual cash value, crime coverage of \$250,000 per occurrence, workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, and \$1,750,000 of each loss in excess of \$250,000 per occurrence for property, and auto physical damage. For workers compensation there is a per occurrence retention of \$750,000. The County provides employee health and dental benefits through a self-insured plan provided by Blue Cross and Blue Shield.

The County carries flood insurance through the National Flood Insurance Plan (NFIP). Because the County is in an area of the State that has been mapped and designated as 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 through the NFIP.

In accordance with G.S. 159-29, County employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Director of Finance and the tax collector are individually bonded for \$50,000 and \$200,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

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; injuries to employees; and natural disasters. The ABC Board has property, general liability, workmen's compensation and employee health coverage. The Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

### **5. Contingencies**

In January 2018, the Gates County sheriff and three deputies were indicted for allegedly collecting paychecks from the County's board of education at the same time as receiving their standard pay. The allegations were investigated by the North Carolina State Bureau of Investigations, who identified a total of \$700 in questionable payments made by the board of education. The individuals have been charged and the sheriff has been suspended pending future hearings on the matter. No effects on the County have been identified at this time, and the County has modified procedures to prevent similar circumstances from reoccurring.

### **6. Claims and Judgments**

At June 30, 2017, the County was a defendant to one lawsuit. In the opinion of the County's management and the County attorney, the ultimate effect of this legal matter will not have a material adverse effect on the County's financial position.

**Gates County, North Carolina  
Notes to Financial Statements**

**8. Long-Term Obligations**

**a. Notes Payable**

Serviced by the County's General Fund:

\$4,460,000 note payable in semi-annual installments of \$216,667, plus interest at 2.91%, for expansion of public school facilities; payable on September 21 and March 21; with an original maturity date of March 21, 2022	\$ 2,166,667
\$1,709,409 note payable in annual installments of \$142,054, including interest at 2.89%, for construction of Social Services building; payable on September 22; with an original maturity date of September 22, 2025; secured by Social Services building	1,055,988
Total notes payable	\$ 3,222,655

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

Year Ended June 30	Governmental Activities	
	Principal	Interest
2018	\$ 544,870	\$ 90,416
2019	548,093	74,582
2020	551,410	58,656
2021	554,822	42,633
2022	558,333	26,512
2023-2026	465,127	31,034
Total	\$ 3,222,655	\$ 323,833

**e. Debt Related to Capital Activities**

Of the total Governmental Activities debt listed, \$1,055,988 relates to assets which the County holds title to. There is no restricted cash related to this debt.

## Gates County, North Carolina Notes to Financial Statements

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2017:

	Balance July 01, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion of Balances
<b>Governmental activities:</b>					
Notes payable	\$ 4,064,392	\$ -	\$ 841,737	\$ 3,222,655	\$ 544,870
OPEB liability	2,046,494	173,728	-	2,220,222	-
Pension liability - LGERS	198,994	719,948	-	918,942	-
Pension liability - LEOSSA	158,357	8,826	-	167,183	-
Compensated absences	296,320	19,180	-	315,500	78,875
<b>Total governmental activities</b>	<b>\$ 6,764,557</b>	<b>\$ 921,682</b>	<b>\$ 841,737</b>	<b>\$ 6,844,502</b>	<b>\$ 623,745</b>
<b>Business-type activities:</b>					
OPEB liability	\$ 164,152	\$ 11,295	\$ -	\$ 175,447	\$ -
Pension liability - LGERS	12,702	48,875	-	61,577	-
Compensated absences	18,012	2,308	-	20,320	5,080
<b>Total business-type activities</b>	<b>\$ 194,866</b>	<b>\$ 62,478</b>	<b>\$ -</b>	<b>\$ 257,344</b>	<b>\$ 5,080</b>

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

The following is a summary of changes in the ABC Board's long-term obligations for the fiscal year ended June 30, 2017:

	Balance July 01, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion of Balances
<b>ABC Board:</b>					
Pension liability - LGERS	\$ 1,481	\$ 5,523	\$ -	\$ 7,004	\$ -
<b>Total business-type activities</b>	<b>\$ 1,481</b>	<b>\$ 5,523</b>	<b>\$ -</b>	<b>\$ 7,004</b>	<b>\$ -</b>

**Gates County, North Carolina  
Notes to Financial Statements**

**C. Inter-fund Balances and Activity**

The composition of inter-fund balances as of June 30, 2017 is as follows:

	Interfund	
	Receivables	Payables
General Fund		
Capital Improvement Program Fund	\$ 1,190	\$ -
Homeland Security Grant	770	-
Landfill Fund	53,440	-
Capital Improvement Program Fund		
General Fund	-	1,190
Homeland Security Grant		
General Fund	-	770
Landfill Fund		
General Fund	-	53,440
<b>Total</b>	<b>\$ 55,400</b>	<b>\$ 55,400</b>

Transfers to/from other funds at June 30, 2017, consist of the following:

Transfers Out	Transfers In	Amount	Purpose
General Fund	Revaluation Fund	\$ 36,000	Revaluation expenses
General Fund	Capital Improvement Program	253,070	Capital outlay and repairs
General Fund	School Capital Outlay Fund	326,449	School architect fees
<b>Total interfund transfers</b>		<b>\$ 615,519</b>	
Emergency Telephone System	General Fund	44,000	911 Database addressing
Water Fund	General Fund	385,171	Administrative expenses
Landfill Fund	General Fund	29,927	Administrative expenses
<b>Total administrative reimbursements</b>		<b>\$ 459,098</b>	

**D. Net Investment in Capital Assets**

	Governmental	Business-type
Capital assets	\$ 6,804,057	\$ 5,719,039
less: long-term debt	(1,055,988)	-
<b>Net investment in capital assets</b>	<b>\$ 5,748,069</b>	<b>\$ 5,719,039</b>

**E. Fund Balance**

The following schedule provides management and citizens with information on the portion of General fund balance that is available to appropriation:

**Gates County, North Carolina  
Notes to Financial Statements**

Total Fund Balance - General Fund	\$	4,800,536
<hr/>		
Less:		
Stabilization by State Statute		961,098
Register of Deeds		5,963
Tax revaluation		128,854
Capital outlay		-
Subsequent Year's Expenditures		-
<hr/>		
Remaining Fund Balance	\$	3,704,621
<hr/> <hr/>		

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. At June 30, 2017 outstanding encumbrances totaled \$1,456.

**NOTE IV. Joint Ventures**

The County participates in a joint venture to operate Perquimans-Chowan-Gates Regional Landfill (Landfill) with two other counties. Each participating government appoints their County manager and one Commissioner to the nine-member Board of the landfill. Although the Landfill is no longer accepting solid waste, the site will continue to be used as a waste transfer station. Gates County will continue to pay 25% of the site's operating costs and 33% of any capital outlay and administration cost. In accordance with the intergovernmental agreement between the participating governments, the County paid \$823,980 for operating costs.

The County participates with eight other counties to operate the Albemarle Solid Waste Authority. Each participating government appoints two members to a fourteen-member board. The County has an ongoing financial responsibility for the joint venture because the Albemarle Solid Waste Authority's existence depends on the participating governments continued funding. None of the participating governments have any equity interest in the Albemarle Solid Waste Authority, so none was reflected in the County's financial statements at June 30, 2017. Complete financial statements for the Albemarle Solid Waste Authority can be obtained from the Albemarle Solid Waste Authority at Post Office Box 189, Elizabeth City, NC 27909.

The County participates in the Albemarle Regional Solid Waste Authority. Federal and State laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The Albemarle Regional Solid Waste Authority is under contract with a private contractor to maintain the landfill to meet environmental regulations. The private contractor has established a reserve fund to provide for closure and post-closure costs. The County believes this reserve to be adequate at this time.

The County participates with four other counties to operate the 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 existence depends on the participating governments continued funding. None of the participating governments have any equity interest in the Library, so none was reflected in the County's financial statements at June 30, 2017. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$93,806 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.

## Gates County, North Carolina Notes to Financial Statements

The County participates in a joint venture with seven other counties to operate Albemarle Regional Health Services. The area Board of Commissioners appoints the fifteen member governing board based. The County has an ongoing financial responsibility for Albemarle Regional Health Services because the County is required by Statute to provide public health services either directly or jointly with other counties. Also, Albemarle Regional Health Services existence depends on the participating governments continued funding. None of the participating governments have any equity interest in the Albemarle Regional health Services, so none was reflected in the County's financial statements at June 30, 2017. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$113,500 to Albemarle Regional Health Services to supplement its activities. Complete financial statements for Albemarle Regional Health Services can be obtained from the Regional offices at P.O. Box 189, Elizabeth City, NC 27909.

### **NOTE V. Jointly Governed Organizations**

The County, in conjunction with nine other counties and 16 other municipalities, established the Albemarle Commission. The participating governments established the Commission to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Commission's board. The County paid membership fees of \$7,722 to the Commission during the fiscal year ended June 30, 2017. Complete financial statements for the Albemarle Commission can be obtained from the Albemarle Commission at Post Office Box 646, Hertford, NC 27944.

The County, in conjunction with other counties, participates in Trillium Health Resources, a local management entity for mental healthcare services. These entities provide mental health services to the residents of the participating counties through satellite offices. The County contributed \$30,274 to this organization during the fiscal year ended June 30, 2017.

### **NOTE 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. Gates County personnel are involved with certain functions, primarily eligibility determinations that cause benefit payments to be issued by the state. These amounts disclose the additional aid to County recipients that do not appear in the financial statements because they are not revenues and expenditures of the County.

**Gates County, North Carolina  
Notes to Financial Statements**

	Federal	State
Medical Assistance	\$ 8,321,287	\$ 4,528,305
Food Stamp Program	2,716,319	-
Special Supplemental Nutrition Program for Women, Infants, & Children	101,249	-
Temporary Assistance for Needy Families	70,934	(22)
CWS Adoption Subsidy	4,896	1,223
SC/SA Domiciliary Care Payment	-	114,334
SAA /SAD HB 1030	-	4,182
Energy Assistance	41,500	-
NC Health Choice	242,375	827
IV-E Foster Care	-	-
<b>Total</b>	<b>\$ 11,498,560</b>	<b>\$ 4,648,849</b>

**NOTE VII. Summary Disclosure of Significant Commitments and Contingencies**

**Federal and State Assisted Programs**

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant 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.

**NOTE VIII. Change in Accounting Principles/Restatement**

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for the governmental activities increased \$23,091.

**NOTE IX. New Governmental Accounting Standards**

The Governmental Accounting Standards Board has issued statements that will become effective in 2018. The statements address:

- OPEB—accounting and financial reporting by employers;
- Split-interest agreements;
- Various practice issues (Omnibus); and
- Certain debt extinguishment issues.

Gates County is currently evaluating the effects that these statements will have on its 2018 financial statements.

**NOTE X. Subsequent Events**

Management has evaluated subsequent events through March 28, 2018, the date on which the financial statements were available to be issued.

**Gates County, North Carolina**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Schedule of Changes in Total Pension Liability**

2017

Beginning balance	\$ 158,357
Service Cost	11,291
Interest on the total pension liability	5,565
Change of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumption or other inputs	(3,062)
Benefit payments	(4,968)
Other changes	-
<b>Ending balance of the total pension liability</b>	<b>\$ 167,183</b>

Information is not available for years prior to 2017. This schedule is intended to provide information for 10 years, and additional years will be presented as information becomes available.

**Gates County, North Carolina**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**

	2017
Total pension liability	\$ 167,183
County's covered-employee payroll	\$ 501,080
Total pension liability as a percentage of covered payroll	33.36%

Gates County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Information is not available for years prior to 2017. This schedule is intended to provide information for 10 years, and additional years will be presented as information becomes available.

**Gates County, North Carolina  
Other Postemployment Benefits  
Required Supplementary Information  
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2009	\$ -	\$ 3,943,191	\$ 3,943,191	0.0%	\$ 2,338,648	168.61%
12/31/2012	-	3,684,889	3,684,889	0.0%	2,175,983	169.34%
12/31/2015	-	3,128,725	3,128,725	0.0%	2,753,311	113.64%

**Gates County, North Carolina  
Other Postemployment Benefits  
Required Supplementary Information  
Schedule of Employer Contributions**

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2017	\$ 263,387	35.31%
2016	263,387	24.79%
2015	316,533	12.74%
2014	307,314	17.27%
2013	307,314	19.11%
2012	454,514	12.31%
2011	454,514	8.81%

Information is not available for years prior to 2011. This schedule is intended to provide information for 10 years, and additional years will be presented as information becomes available.

**Gates County, North Carolina**  
**Schedule of the County's Proportionate Share of the**  
**Net Pension Liability (Asset)**  
**Local Government Retirement System**  
**Last 4 Fiscal Years**

	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.04620%	0.04720%	-0.45000%	0.04320%
County's proportionate share of the net pension liability (asset) \$	\$ 980,519	\$ 211,696	\$ (265,563)	\$ 520,726
County's covered-employee payroll	\$ 2,702,668	\$ 2,573,301	\$ 2,404,383	\$ 2,061,051
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.28%	8.23%	-11.04%	25.27%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

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

Information is not available for years prior to 2014. This schedule is intended to provide information for 10 years, and additional years will be presented as information becomes available.

**Gates County, North Carolina**  
**Schedule of County Contributions**  
**Local Governmental Employees' Retirement System**  
**Last 4 Fiscal Years**

	2017	2016	2015	2014
Contractually required contribution	\$ 202,740	\$ 182,772	\$ 186,050	\$ 171,421
Contributions in relation to the contractually required contribution	202,740	182,772	186,050	171,421
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 2,750,420	\$ 2,702,668	\$ 2,573,301	\$ 2,404,383
Contribution's as a percentage of covered-employee payroll	7.37%	6.76%	7.23%	7.13%

Information is not available for years prior to 2014. This schedule is intended to provide information for 10 years, and additional years will be presented as information becomes available.

**Gates County, North Carolina**  
**Schedule of the County's Proportionate Share of the**  
**Net Pension Liability (Asset)**  
**Register of Deeds' Supplemental Pension Fund**  
**Last 4 Fiscal Years**

	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.09573%	0.09429%	0.99820%	0.95160%
County's proportionate share of the net pension liability (asset) \$	\$ (17,898)	\$ (21,851)	\$ (22,616)	\$ (20,326)
County's covered-employee payroll	42,242	41,206	43,333	48,315
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-42.37%	-53.03%	-52.19%	-42.07%
Plan fiduciary net position as a percentage of the total pension liability	160.17%	197.29%	193.88%	190.50%

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

Information is not available for years prior to 2014. This schedule is intended to provide information for 10 years, and additional years will be presented as information becomes available.

**Gates County, North Carolina  
Schedule of County Contributions  
Register of Deeds' Supplemental Pension Fund  
Last 4 Fiscal Years**

	2017	2016	2015	2014
Contractually required contribution	\$ 757	\$ 782	\$ 755	\$ 815
Contributions in relation to the contractually required contribution	757	782	755	815
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 42,450	\$ 42,242	\$ 41,206	\$ 43,333
Contribution's as a percentage of covered- employee payroll	1.78%	1.85%	1.83%	1.88%

Information is not available for years prior to 2014. This schedule is intended to provide information for 10 years, and additional years will be presented as information becomes available.

**Gates County, North Carolina  
General Fund  
Combining Balance Sheet  
Schedule 1**

	General Fund	Transit Fund	Register of Deeds Automation Fund	Capital Improvement Program Fund	Revaluation Fund	Total General Fund
<b>ASSETS</b>						
Cash and cash equivalents	\$ 3,845,581	\$ 48,201	\$ -	\$ -	\$ -	\$ 3,893,782
Restricted cash and cash equivalents	-	-	5,963	-	128,854	134,817
Receivables, net	284,699	-	-	-	-	284,699
Due from other funds	55,400	-	-	-	-	55,400
Due from other governments	902,491	-	-	1,190	96	903,777
<b>Total assets</b>	<b>\$ 5,088,171</b>	<b>\$ 48,201</b>	<b>\$ 5,963</b>	<b>\$ 1,190</b>	<b>\$ 128,950</b>	<b>\$ 5,272,475</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 154,611	\$ -	\$ -	\$ -	\$ -	\$ 154,611
Due to other funds	-	-	-	1,190	-	1,190
<b>Total liabilities</b>	<b>154,611</b>	<b>-</b>	<b>-</b>	<b>1,190</b>	<b>-</b>	<b>155,801</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>316,138</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>316,138</b>
<b>Fund balances:</b>						
<b>Restricted:</b>						
Stabilization by State Statute	959,812	-	-	1,190	96	961,098
Register of Deeds	-	-	5,963	-	-	5,963
Tax revaluation	-	-	-	-	128,854	128,854
<b>Unassigned:</b>	<b>3,657,610</b>	<b>48,201</b>	<b>-</b>	<b>(1,190)</b>	<b>-</b>	<b>3,704,621</b>
<b>Total fund balances</b>	<b>4,617,422</b>	<b>48,201</b>	<b>5,963</b>	<b>-</b>	<b>128,950</b>	<b>4,800,536</b>
<b>Total liabilities, deferred inflows of resources and fund balance:</b>	<b>\$ 5,088,171</b>	<b>\$ 48,201</b>	<b>\$ 5,963</b>	<b>\$ 1,190</b>	<b>\$ 128,950</b>	<b>\$ 5,272,475</b>

**Gates County, North Carolina  
General Fund**

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Schedule 2**

	General Fund	Transit Fund	Register of Deeds Automation Fund	Capital Improvement Program Fund	Revaluation Fund	Total General Fund
<b>REVENUES</b>						
Ad valorem taxes	\$ 6,812,573	\$ -	\$ -	\$ -	\$ -	\$ 6,812,573
Local option sales taxes	2,508,401	-	-	-	-	2,508,401
Other taxes and licenses	29,686	-	-	-	-	29,686
Unrestricted intergovernmental	62,967	-	-	-	-	62,967
Restricted intergovernmental	2,168,666	-	-	-	-	2,168,666
Permits and fees	155,134	-	4,327	-	-	159,461
Sales and services	102,200	-	-	-	-	102,200
Investment earnings	7,717	-	18	-	-	7,735
Miscellaneous	2,636	-	-	-	-	2,636
<b>Total revenues</b>	<b>11,849,980</b>	<b>-</b>	<b>4,345</b>	<b>-</b>	<b>-</b>	<b>11,854,325</b>
<b>EXPENDITURES</b>						
<b>Current:</b>						
General government	1,431,947	-	4,000	-	98,518	1,534,465
Public safety	2,187,170	-	-	-	-	2,187,170
Human services	2,031,136	-	-	-	-	2,031,136
Education	2,714,000	-	-	200,000	-	2,914,000
Economic and physical development	883,415	-	-	-	-	883,415
Cultural and recreational	347,355	-	-	-	-	347,355
Capital outlay	-	-	-	53,070	-	53,070
<b>Debt Service:</b>						
Principal	841,737	-	-	-	-	841,737
Interest	110,141	-	-	-	-	110,141
<b>Total expenditures</b>	<b>10,546,901</b>	<b>-</b>	<b>4,000</b>	<b>253,070</b>	<b>98,518</b>	<b>10,902,489</b>
Revenues over (under) expenditures	1,303,079	-	345	(253,070)	(98,518)	951,836
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from the sale of capital assets	5,540	-	-	-	-	5,540
Transfers from other funds	-	-	-	253,070	36,000	289,070
Transfers to other funds	(615,519)	-	-	-	-	(615,519)
<b>Total other financing sources and uses</b>	<b>(609,979)</b>	<b>-</b>	<b>-</b>	<b>253,070</b>	<b>36,000</b>	<b>(320,909)</b>
Net change in fund balance	693,100	-	345	-	(62,518)	630,927
Fund balances, beginning of year	3,924,322	48,201	5,618	-	191,468	4,169,609
<b>Fund balances-end of year</b>	<b>\$ 4,617,422</b>	<b>\$ 48,201</b>	<b>\$ 5,963</b>	<b>\$ -</b>	<b>\$ 128,950</b>	<b>\$ 4,800,536</b>

Gates County, North Carolina  
**General Fund - Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances – Budget and Actual  
 For the Fiscal Year Ended June 30, 2017**

**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)**

**Schedule 3**

Page 1 of 8  
2016

	2017		Variance Positive (Negative)	Actual 2016
	Budget	Actual		
<b>Revenues:</b>				
Ad valorem taxes:				
Taxes	\$ 6,543,106	\$ 6,752,322	\$ 209,216	\$ 6,261,759
Penalties and interest	62,500	60,251	(2,249)	63,230
<b>Total</b>	<b>6,605,606</b>	<b>6,812,573</b>	<b>206,967</b>	<b>6,324,989</b>
Local option sales taxes:				
Articles 39 and 44	471,000	489,126	18,126	507,767
Article 40 one-half of one percent	754,000	764,846	10,846	710,503
Article 42 one-half of one percent	253,000	259,629	6,629	249,018
Article 44	326,449	563,095	236,646	46,743
Medicaid hold harmless	376,000	431,705	55,705	503,419
<b>Total</b>	<b>2,180,449</b>	<b>2,508,401</b>	<b>327,952</b>	<b>2,017,450</b>
Other taxes and licenses:				
Deed stamp excise tax	25,000	29,606	4,606	24,262
Privilege licenses	100	80	(20)	140
<b>Total</b>	<b>25,100</b>	<b>29,686</b>	<b>4,586</b>	<b>24,402</b>
Unrestricted intergovernmental :				
Cable Franchise Fee	1,600	1,379	(221)	1,393
Payments in lieu of taxes	8,000	9,872	1,872	8,705
Beer and wine tax	58,000	51,716	(6,284)	51,019
<b>Total</b>	<b>67,600</b>	<b>62,967</b>	<b>(4,633)</b>	<b>61,117</b>
Restricted intergovernmental:				
Federal and State grants	2,445,736	2,038,193	(407,543)	2,338,362
Education lottery	113,500	111,020	(2,480)	111,930
Court facility fees	20,000	15,170	(4,830)	18,362
ABC profits for law enforcement	2,250	2,009	(241)	1,200
ABC bottles tax	2,000	2,274	274	2,166
<b>Total</b>	<b>2,583,486</b>	<b>2,168,666</b>	<b>(414,820)</b>	<b>2,472,020</b>
Permits and fees:				
Gun permits	3,500	7,395	3,895	3,405
Officer fees	18,000	20,846	2,846	16,279
Planning and Zoning fees	7,100	6,497	(603)	5,917
Building permits and inspection fees	64,000	81,788	17,788	90,655
Candidate filing fees	-	5	5	1,049
Register of deeds	41,200	37,657	(3,543)	37,537
License revocation fees	750	946	196	1,008
<b>Total</b>	<b>134,550</b>	<b>155,134</b>	<b>20,584</b>	<b>155,850</b>

**Gates County, North Carolina**  
**General Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**

**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)**

**Schedule 3**

Page 2 of 8

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
<b>Sales and services:</b>				
Rents	31,305	31,302	(3)	33,104
Transportation fares	35,000	22,551	(12,449)	40,167
DSS fees	14,500	7,168	(7,332)	8,379
School resource officer	28,000	28,000	-	28,000
Tax collection fees	1,150	1,159	9	1,161
Court awards law enforcement	-	313	313	63
Jail fees	12,000	11,707	(293)	13,851
Total	121,955	102,200	(19,755)	124,725
<b>Investment earnings:</b>				
	9,000	7,717	(1,283)	10,339
<b>Miscellaneous:</b>				
Other Grants and Contributions	15,000	64	(14,936)	18,974
Insurance proceeds	5,729	9,877	4,148	9,564
Miscellaneous Revenues	6,200	(7,305)	(13,505)	2,550
Total	26,929	2,636	(24,293)	31,088
Total revenues	11,754,675	11,849,980	95,305	11,221,980
<b>Expenditures:</b>				
<b>General government:</b>				
<b>Governing body</b>				
Salaries and employee benefits		64,446		67,177
Contracted Services		2,763		(1,555)
Interfund Reimbursement		(18,394)		(18,310)
Other operating expenditures		20,382		29,310
Total	78,641	69,197	9,444	76,622
<b>Elections:</b>				
Salaries and employee benefits		58,490		58,500
Contracted services		11,788		10,725
Other operating expenditures		47,152		45,009
Total	118,659	117,430	1,229	114,234
<b>Finance and administration:</b>				
Salaries and employee benefits		387,051		366,476
Contracted services		27,811		57,815
Other operating expenditures		42,423		51,849
Interfund Reimbursement		(93,761)		(96,870)
Total	405,535	363,524	42,011	379,270

**Gates County, North Carolina**  
**General Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)**

**Schedule 3**

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	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Customer Service:				
Salaries and employee benefits		255,869		243,633
Other operating expenditures		59,220		36,711
Contracted services		17,775		18,267
Interfund Reimbursements		(302,943)		(274,498)
Total	33,956	29,921	4,035	24,113
Taxes:				
Salaries and employee benefits		204,424		196,789
Other operating expenditures		77,878		71,576
Contracted services		22,242		19,565
Total	320,725	304,544	16,181	287,930
Court facilities:				
Other operating expenditures		14,087		19,898
Total	20,500	14,087	6,413	19,898
Legal:				
Contracted services		30,028		22,703
Total	30,000	30,028	(28)	22,703
Register of deeds:				
Salaries and employee benefits		92,802		90,384
Other operating expenditures		15,951		11,281
Contract services		6,000		5,681
Total	116,174	114,753	1,421	107,346
Buildings and grounds:				
Salaries and employee benefits		165,782		148,719
Other operating expenditures		203,763		182,834
Contract services		18,918		17,162
Capital outlay		-		19,961
Total	416,002	388,463	27,539	368,676
Total general government	1,540,192	1,431,947	108,245	1,400,792

**Gates County, North Carolina**  
**General Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)**

**Schedule 3**

Page 4 of 8

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Public safety:				
Sheriff:				
Salaries and employee benefits		752,120		727,184
Other operating expenditures		141,111		112,221
Capital outlay		135,239		28,184
Total	1,049,271	1,028,470	20,801	867,589
Emergency management:				
Salaries and employee benefits		312,047		305,653
Other operating expenditures		44,070		29,614
Interfund Reimbursement		(44,000)		(43,000)
Contracted Services		2,787		764
Emergency management capital outlay		29,548		665
Total	533,950	344,452	189,498	293,696
Jail:				
Other operating expenditures		209,104		124,767
Total	211,650	209,104	2,546	124,767
Fire protection:				
Forest fire control		57,657		50,985
Total	60,605	57,657	2,948	50,985
Building inspector:				
Salaries and employee benefits		120,558		119,228
Other operating expenditures		11,129		9,998
Total	135,969	131,687	4,282	129,226
Medical examiner:				
Contracted Services	8,350	11,650	(3,300)	9,100
Rescue Squad:				
Contracted Services	353,175	353,175	-	25,000

**Gates County, North Carolina**  
**General Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)**

**Schedule 3**

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2016

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Animal control:				
Other operating expenditures		50,975		80,223
Total	68,000	50,975	17,025	114,323
Total public safety	2,420,970	2,187,170	233,800	1,580,586
Human services:				
Health:				
Administration:				
Albemarle Regional Health Services	113,500	113,500	-	113,500
Albemarle Mental Health Center	30,000	30,274	(274)	30,166
Total health	143,500	143,774	(274)	143,666
Social services:				
Administration:				
Salaries and employee benefits		1,108,849		1,063,664
Other operating expenditures		30,576		42,993
Contracted services		149,354		128,126
Total	1,327,840	1,288,779	39,061	1,234,783
Special assistance for adults:				
Special assistance for adults	114,288	119,169	(4,881)	102,698
Medical assistance:				
Medicaid transportation	115,000	87,071	27,929	116,113
Special social services:				
Daycare	265,663	216,566	49,097	224,111
Crisis intervention	46,937	31,233	15,704	32,555
Low Income Energy Assistance Program	41,659	41,500	159	47,400
TANF - Work First	16,000	9,801	6,199	8,837
Food stamp program	3,000	2,938	62	2,686
N.C. Blind Commission	889	888	1	888
Other programs	14,445	5,894	8,551	6,402
Total	388,593	308,820	79,773	322,879
Total social services	1,945,721	1,803,839	141,882	1,776,473

**Gates County, North Carolina**  
**General Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)**

**Schedule 3**

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	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Special appropriations:				
Veterans service	4,000	4,000		4,000
Juvenile crime prevention	32,831	32,831		32,831
Other programs	47,192	46,692		48,673
Total	84,023	83,523	500	85,504
Total human services	2,173,244	2,031,136	142,108	2,005,643
Education:				
Public schools - current	2,708,000	2,708,000	-	2,708,000
Community colleges	6,000	6,000	-	6,000
Total education	2,714,000	2,714,000	-	2,714,000
Economic development				
Planning and zoning:				
Salaries and employee benefits		51,864		93,795
Contracted Services		12,045		37,985
Other operating expenditures		7,136		8,128
Total planning and zoning	81,365	71,045	10,320	139,908
Soil and water conservation:				
Salaries and employee benefits		84,443		83,816
Other operating expenses		5,115		5,349
Total soil conservation	130,677	89,558	41,119	89,165
Cooperative extension service:				
Salaries and Benefits		130,844		114,694
School age child care		25,296		28,107
Other Operating Expenses		17,656		15,967
Genesis		32,068		23,341
SHIP Grant		-		2,050
United Way		1,832		250
Miscellaneous		929		-
Total cooperative extension service	242,195	208,625	33,570	184,409

**Gates County, North Carolina**  
**General Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)**

**Schedule 3**

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	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
<b>GITS:</b>				
Salaries and employee benefits		255,789		250,209
Contracted Services		3,987		5,982
Other operating expenditures		144,811		130,067
Capital outlay		109,600		39,404
Total	647,294	514,187	133,107	425,662
Total economic and physical development	1,101,531	883,415	218,116	839,144
<b>Cultural and recreational:</b>				
<b>Libraries:</b>				
Operating expenditures	93,806	93,806	-	90,000
<b>Recreation:</b>				
Repairs	6,190	5,924	266	-
Capital outlay	25,000	9,125	15,875	-
Trillium playground equipment grant	-	-	-	303,700
Community Center operating expenditures	238,500	238,500	-	237,000
Total	269,690	253,549	16,141	540,700
Total cultural and recreational	363,496	347,355	16,141	630,700
<b>Debt service:</b>				
Principal retirement	841,738	841,737	1	838,692
Interest and fees	110,142	110,141	1	131,107
Total debt service	951,880	951,878	2	969,799
Total expenditures	11,265,313	10,546,901	718,412	10,140,664
Revenues under expenditures	489,362	1,303,079	813,717	1,081,316

**Gates County, North Carolina**  
**General Fund - Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances – Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)**

**Schedule 3**

Page 8 of 8

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Other financing sources (uses):				
Proceeds from the sale of capital assets	21,200	5,540	(15,660)	12,254
Transfers to other funds	(623,134)	(615,519)	7,615	(925,081)
Transfers from other funds	-	-	-	16,225
<b>Total other financing sources (uses)</b>	<b>(601,934)</b>	<b>(609,979)</b>	<b>(8,045)</b>	<b>(896,602)</b>
Revenues and other financing sources under expenditures and other financing uses	(112,572)	693,100	805,672	184,714
Appropriated fund balance	112,662	-	(112,662)	-
Revenues, other financing sources, and appropriated fund balance over expenditures and other financing uses	<u>\$ 90</u>	693,100	<u>\$ 693,010</u>	184,714
Fund balance, beginning of year		3,924,322		3,739,608
Fund balance, end of year		<u>\$ 4,617,422</u>		<u>\$ 3,924,322</u>

**Gates County, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – Register of Deeds Automation Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Fiscal**  
**Year Ended June 30, 2016)**  
**Schedule 4**

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
<b>Revenues:</b>				
Automation & Preservation Fee	\$ 5,000	\$ 4,327	\$ (673)	\$ 4,586
Investment earnings	-	18	18	14
Total Revenue	5,000	4,345	(655)	4,600
<b>Expenditures:</b>				
General Government				
Equipment Maintenance	4,000	4,000	-	3,000
Capital outlay	1,000	-	1,000	1,090
Total expenditures	5,000	4,000	1,000	4,090
Revenues over expenditures	\$ -	345	\$ 345	510
Fund balance, beginning of year		5,618		5,108
Fund balance, end of year		5,963		5,618

**Gates County, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – Capital Improvement Program Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Fiscal**  
**Year Ended June 30, 2016)**  
**Schedule 5**

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
<b>Revenues:</b>				
Restricted intergovernmental				
Public school building capital fund - lottery	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures:</b>				
Education				
Capital Outlay - Gates County Schools	200,000	200,000	-	-
Capital Outlay	60,685	53,070	7,615	416,132
<b>Total expenditures</b>	<b>260,685</b>	<b>253,070</b>	<b>7,615</b>	<b>416,132</b>
Revenues over (under) expenditures	(260,685)	(253,070)	(7,615)	(416,132)
<b>Other financing sources and uses:</b>				
Transfers from General Fund	260,685	253,070	7,615	541,132
<b>Total other financing sources and uses</b>	<b>260,685</b>	<b>253,070</b>	<b>7,615</b>	<b>541,132</b>
Revenues and other financing sources over (under) expenditures and other uses	\$ -	-	\$ -	125,000
Fund balance, beginning		-		(125,000)
Fund balance, ending		\$ -		\$ -

**Gates County, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – Revaluation Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Fiscal**  
**Year Ended June 30, 2016)**  
**Schedule 6**

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
<b>Revenues:</b>				
Investment earnings	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures:</b>				
General Government				
Operating Expenses	227,500	97,736	129,764	41,120
Capital Outlay - Equipment	8,750	782	7,968	8,713
Contingencies	36,000	-	36,000	-
<b>Total expenditures</b>	<b>272,250</b>	<b>98,518</b>	<b>173,732</b>	<b>49,833</b>
Revenues over (under) expenditures	(272,250)	(98,518)	173,732	(49,833)
<b>Other financing sources (uses):</b>				
Transfer from other funds	36,000	36,000	-	33,750
Transfer to other funds	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>36,000</b>	<b>36,000</b>	<b>-</b>	<b>33,750</b>
<b>Appropriated fund balance</b>	<b>236,250</b>	<b>-</b>	<b>(236,250)</b>	<b>-</b>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other (uses)	\$ -	(62,518)	\$ (62,518)	(16,083)
Fund balance, beginning of year		191,468		207,551
Fund balance, end of year		\$ 128,950		\$ 191,468

**Gates County, North Carolina**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**Schedule 7**

	Special Revenue Funds					Capital Project Funds		Total Nonmajor Governmental Funds
	Emergency Telephone System Fund	School Capital Outlay Fund	Fire Protection Fund	Homeland Security Grant Fund	Total Nonmajor Special Revenue Funds	Old Courthouse Restoration Project		
<b>Assets:</b>								
Cash and investments	\$ 95,592	\$ 271,553	\$ 9,668	\$ -	\$ 376,813	\$ 123,301	\$ 500,114	
Due from other governments	11,227	-	-	770	11,997	71	12,068	
Due from other funds	-	-	-	-	-	-	-	
<b>Total assets</b>	<b>\$ 106,819</b>	<b>\$ 271,553</b>	<b>\$ 9,668</b>	<b>\$ 770</b>	<b>\$ 388,810</b>	<b>\$ 123,372</b>	<b>\$ 512,182</b>	
<b>Liabilities:</b>								
Accounts payable	\$ 6,989	\$ -	\$ 9,668	\$ -	\$ 16,657	\$ -	\$ 16,657	
Due to other funds	-	-	-	770	770	-	770	
<b>Total liabilities</b>	<b>6,989</b>	<b>-</b>	<b>9,668</b>	<b>770</b>	<b>17,427</b>	<b>-</b>	<b>17,427</b>	
<b>Fund balances:</b>								
Restricted:								
Stabilization by state statute	11,227	-	-	770	11,997	71	12,068	
School capital outlay	-	271,553	-	-	271,553	-	271,553	
Emergency telephone system	88,603	-	-	-	88,603	-	88,603	
Committed	-	-	-	-	-	123,301	123,301	
Unassigned	-	-	-	(770)	(770)	-	(770)	
<b>Total fund balances</b>	<b>99,830</b>	<b>271,553</b>	<b>-</b>	<b>-</b>	<b>371,383</b>	<b>123,372</b>	<b>494,755</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 106,819</b>	<b>\$ 271,553</b>	<b>\$ 9,668</b>	<b>\$ 770</b>	<b>\$ 388,810</b>	<b>\$ 123,372</b>	<b>\$ 512,182</b>	

Gates County, North Carolina  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Non-Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**Schedule 8**

	Special Revenue Funds				Capital Project Funds		
	Emergency Telephone System Fund	School Capital Outlay Fund	Fire Protection Fund	Homeland Security Grant Fund	Total Nonmajor Special Revenue Funds	Old Courthouse Restoration Project	Total Nonmajor Governmental Funds
<b>Revenues:</b>							
Restricted intergovernmental	\$ 95,714	\$ -	\$ -	\$ 3,413	\$ 99,127	\$ -	\$ 99,127
Other taxes and licenses	-	-	246,139	-	246,139	-	246,139
Investment earnings	1,009	-	-	-	1,009	-	1,009
<b>Total revenues</b>	<b>96,723</b>	<b>-</b>	<b>246,139</b>	<b>3,413</b>	<b>346,275</b>	<b>-</b>	<b>346,275</b>
<b>Expenditures:</b>							
Public safety	172,005	-	246,139	3,413	421,557	-	421,557
Education	-	54,896	-	-	54,896	-	54,896
Capital outlay	-	-	-	-	-	9,864	9,864
<b>Total expenditures</b>	<b>172,005</b>	<b>54,896</b>	<b>246,139</b>	<b>3,413</b>	<b>476,453</b>	<b>9,864</b>	<b>486,317</b>
Revenues over (under) expenditures	(75,282)	(54,896)	-	-	(130,178)	(9,864)	(140,042)
<b>Other financing sources (uses):</b>							
Transfers from other funds	-	326,449	-	-	326,449	-	326,449
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>326,449</b>	<b>-</b>	<b>-</b>	<b>326,449</b>	<b>-</b>	<b>326,449</b>
<b>Net change in fund balances</b>	<b>(75,282)</b>	<b>271,553</b>	<b>-</b>	<b>-</b>	<b>196,271</b>	<b>(9,864)</b>	<b>186,407</b>
Fund balance, beginning of year	175,112	-	-	-	175,112	133,236	308,348
<b>Fund balance, end of year</b>	<b>\$ 99,830</b>	<b>\$ 271,553</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 371,383</b>	<b>\$ 123,372</b>	<b>\$ 494,755</b>

**Gates County, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual – Emergency Telephone System Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)**  
**Schedule 9**

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
<b>Revenues:</b>				
Restricted intergovernmental revenues				
911 surcharge	\$ 133,866	\$ 95,714	\$ (38,152)	\$ 129,498
Investment earnings	-	1,009	1,009	631
Total revenues	133,866	96,723	(37,143)	130,129
<b>Expenditures:</b>				
Public Safety				
Other operating expenditures	83,000	70,204	12,796	55,213
Expense reimbursement to General Fund	44,000	44,000	-	43,000
Capital outlay	156,626	57,801	98,825	289
Total expenditures	283,626	172,005	111,621	98,502
Revenues over (under) expenditures	(149,760)	(75,282)	74,478	31,627
Fund balance, beginning of year		175,112		143,485
Fund balance, end of year		\$ 99,830		\$ 175,112

**Gates County, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – School Capital Outlay Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Fiscal**  
**Year Ended June 30, 2016)**  
**Schedule 10**

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
<b>Revenues:</b>				
Local option sales tax	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b>Expenditures:</b>				
Education				
Capital outlay - Architect fees	326,449	54,896	271,553	-
Total expenditures	326,449	54,896	271,553	-
Revenues over (under) expenditures	(326,449)	(54,896)	271,553	-
<b>Other financing sources (uses):</b>				
Proceeds from issuance of debt	-	-	-	-
Transfers from General Fund	326,449	326,449	-	-
Total other financing sources (uses)	326,449	326,449	-	-
Revenues and other financing sources over (under) expenditures and other uses	\$ -	271,553	\$ 271,553	\$ -
Fund balance, beginning of year		-		-
Fund balance, end of year	\$	271,553	\$	-

**Gates County, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – Fire Protection Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Fiscal**  
**Year Ended June 30, 2016)**  
**Schedule 11**

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
<b>Revenues:</b>				
Fire protection fees	\$ 260,000	246,139	\$ (13,861)	246,606
Investment earnings	-	-	-	-
Total revenues	260,000	246,139	(13,861)	246,606
<b>Expenditures:</b>				
Public Safety				
Volunteer Fire Department	260,000	246,139	13,861	246,554
Total expenditures	260,000	246,139	13,861	246,554
Revenues over (under) expenditures	\$ -	-	\$ -	52
Fund balance, beginning of year		-		(52)
Fund balance, end of year		\$ -		\$ -

**Gates County, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – Homeland Security Grant**  
**From Inception and for the Fiscal Year Ended June 30, 2017**  
**Schedule 12**

	Project Authorization			Prior Years	Actual			Variance Positive (Negative)
	June 30, 2016	Budget Amendments	June 30, 2017		Current Year	Total Date	To	
<b>Revenues:</b>								
Restricted intergovernmental:								
Homeland Security Grants	\$ 627,037	\$ 50,000	677,037	501,971	3,413	\$ 505,384	\$ (171,653)	
Total revenues	627,037	50,000	677,037	501,971	3,413	505,384	(171,653)	
<b>Expenditures:</b>								
Public Safety								
Generator transfer switch project	627,037	50,000	677,037	501,971	3,413	505,384	171,653	
Total expenditures	627,037	50,000	677,037	501,971	3,413	505,384	171,653	
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	
Fund balance, beginning of year						-		
Fund balance, end of year						\$ -		

**Gates County, North Carolina**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – Old Courthouse Restoration Project**  
**From Inception and for the Fiscal Year Ended June 30, 2017**  
**Schedule 13**

	Project	Prior	Actual	Total	To	Variance
	Authorization	Years	Current	Date		Positive
			Year			(Negative)
<b>Revenues:</b>						
Restricted intergovernmental:						
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous - donations	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures:</b>						
Old Courthouse Restoration	505,000	371,764	9,864	381,628		123,372
<b>Total expenditures</b>	<b>505,000</b>	<b>371,764</b>	<b>9,864</b>	<b>381,628</b>		<b>123,372</b>
Revenues over (under) expenditures	(505,000)	(371,764)	(9,864)	(381,628)		123,372
<b>Other financing sources (uses):</b>						
Proceeds from issuance of debt	-	-	-	-	-	-
Transfers from other funds	505,000	505,000	-	505,000		-
<b>Total other financing sources (uses)</b>	<b>505,000</b>	<b>505,000</b>	<b>-</b>	<b>505,000</b>		<b>-</b>
Revenue and other sources over (under) expenditures and other uses	\$ -	\$ 133,236	(9,864)	\$ 123,372	\$	\$ 123,372
Fund balance, beginning of year			133,236			
Fund balance, end of year			\$ 123,372			

**Gates County, North Carolina**  
**Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)**  
**Proprietary Fund – Landfill Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)**  
**Schedule 14**

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Operating Revenues:</b>				
Charges for services	\$ 750,000	\$ 581,039	\$ (168,961)	\$ 735,591
Miscellaneous Revenue	-	13,087	13,087	18,533
Total operating revenues	750,000	594,126	(155,874)	754,124
<b>Non-Operating Revenues:</b>				
Scrap tire disposal tax	32,000	15,717	(16,283)	15,798
White goods disposal tax	5,500	2,490	(3,010)	4,052
Solid waste disposal tax	7,700	9,524	1,824	9,265
Electronics Recycling Grant	1,000	871	(129)	1,147
Investment earnings	-	42	42	306
Total nonoperating revenues	46,200	28,644	(17,556)	30,568
Total revenues	796,200	622,770	(173,430)	784,692
<b>Expenditures:</b>				
Landfill Operations				
Landfill operating expenditures		432,887		403,866
Convenience site operating expenditures		391,093		384,125
Contracted services		3,454		3,323
Scrap tire		11,539		15,798
Electronics recycling		871		1,147
White Goods		2,490		4,052
Reimbursement for Services - General Fund		29,927		29,708
Total expenditures	822,883	872,261	(49,378)	842,019
Revenues over expenditures	(26,683)	(249,491)	(222,808)	(57,327)
<b>Appropriated fund balance</b>	26,683	-	(26,683)	-
Revenues and appropriated fund balance over expenditures	\$ -	\$ (249,491)	\$ (249,491)	\$ (57,327)

**Gates County, North Carolina**  
**Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)**  
**Proprietary Fund – Landfill Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016**  
**Schedule 14**

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
<b>Reconciliation from budgetary basis</b>				
<b>(modified accrual) to full accrual basis:</b>				
Excess of revenues over expenditures		\$ (249,491)		\$ (57,327)
Reconciling items:				
Depreciation		(558)		(4,769)
Total reconciling items		(558)		(4,769)
Net income (loss)		\$ (250,049)		\$ (62,096)

**Gates County, North Carolina**  
**Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)**  
**Proprietary Fund – Water Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)**  
**Schedule 15**

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Operating Revenues:</b>				
Charges for services - Water	\$ 1,100,000	\$ 1,015,733	\$ (84,267)	\$ 1,043,304
Charges for services - Sewer	12,000	26,239	14,239	19,829
Tap and connection fees	16,000	21,250	5,250	27,250
Reconnection fees	32,000	37,825	5,825	35,200
Impact Fees	16,000	27,000	11,000	29,000
Other operating revenues	3,000	2,390	(610)	2,236
Total operating revenues	1,179,000	1,130,437	(48,563)	1,156,819
Nonoperating revenues				
Investment earnings	5,000	11,438	6,438	7,124
Total nonoperating revenues	5,000	11,438	6,438	7,124
Total revenues	1,184,000	1,141,875	(42,125)	1,163,943
<b>Expenditures:</b>				
Water operations:				
Salaries and benefits		244,372		242,662
Operating expenditures		310,828		193,849
Expense reimbursement to General Fund		385,171		359,970
Total	958,700	940,371	18,329	796,481
Sewer operations:				
Operating expenditures		16,193		8,839
Total	25,200	16,193	9,007	8,839
Capital outlay:	455,451	175,742	279,709	20,809
Debt service:				
Debt principal		-		173,989
Interest and fees		-		2,313
Total debt service	-	-	-	176,302
Total expenditures	1,439,351	1,132,306	307,045	1,002,431
Revenues over expenditures	(255,351)	9,569	264,920	161,512

**Gates County, North Carolina**  
**Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)**  
**Proprietary Fund – Water Fund**  
**For the Fiscal Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2016)**  
**Schedule 15**

	2017		Variance Positive (Negative)	2016
	Budget	Actual		Actual
Other financing sources (uses):				
Transfers to other funds	\$ -	\$ -	\$ -	\$ (350,199)
Sale of capital assets	2,000	5,900	3,900	-
Appropriated fund balance	253,351	-	253,351	-
Revenues, other financing sources and appropriated fund balance over unders expenditures and other uses	\$ -	15,469	\$ 15,469	(188,687)
<b>Reconciliation from budgetary basis (modified accrual) to full accrual basis:</b>				
Excess of revenues over expenditures		\$ 15,469		\$ (188,687)
Reconciling items:				
Capital outlay		175,742		-
Debt principal		-		173,989
Depreciation		(214,392)		(219,627)
Contributions to the pension plan in the current fiscal year		-		-
Increase (decrease) in net pension asset		-		(15,934)
Increase (decrease) in deferred outflows of resources - pensions		40,877		(199)
(Increase) decrease in net pension liability		(48,875)		(12,702)
(Increase) decrease in deferred inflows of resources - pensions		3,747		32,652
(Increase) decrease in other post employment benefits		(11,295)		(12,392)
(Increase) decrease in compensated absences		(2,308)		2,814
Waste Water Treatment Capital Project Fund Transfer from other funds		-		700,398
Total reconciling items		(56,504)		648,999
Net income (loss)		\$ (41,035)		\$ 460,312

**Gates County, North Carolina**  
**Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP)**  
**Proprietary Fund – Waste Water Treatment Capital Project Fund**  
**From Inception and for the Fiscal Year Ended June 30, 2017**  
**Schedule 16**

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>Revenues:</b>					
Restricted Intergovernmental					
CDBG Grant	\$ 350,000	\$ 350,000	\$ -	\$ 350,000	\$ -
Total revenues	350,000	350,000	-	350,000	-
<b>Expenditures:</b>					
Capital outlay	2,006,750	1,840,346	702	1,841,048	165,702
Total expenditures	2,006,750	1,840,346	702	1,841,048	165,702
Revenues over (under) expenditures	(1,656,750)	(1,490,346)	(702)	(1,491,048)	165,702
Other financing sources (uses)					
Transfers from General Fund	1,656,750	1,490,346	-	1,490,346	(166,404)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	(702)	\$ (702)	\$ (702)
Fund balance, beginning of year			-		
Fund balance, end of year			\$ (702)		

**Gates County, North Carolina**  
**Combining Schedule of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**Schedule 17**

	Balance July 1, 2016	Additions	Deductions	Balance July 1, 2017
<b><u>Social Services Trust Fund:</u></b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,308	\$ 25,121	\$ 25,146	\$ 1,283
<b>Total Assets</b>	<b>\$ 1,308</b>	<b>\$ 25,121</b>	<b>\$ 25,146</b>	<b>\$ 1,283</b>
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ 1,308	\$ 25,121	\$ 25,146	\$ 1,283
<b>Total Liabilities</b>	<b>\$ 1,308</b>	<b>\$ 25,121</b>	<b>\$ 25,146</b>	<b>\$ 1,283</b>
<b><u>Fines and Forfeitures:</u></b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ -	\$ 58,896	\$ 58,896	\$ -
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 58,896</b>	<b>\$ 58,896</b>	<b>\$ -</b>
<b>Liabilities:</b>				
Due to other governments	\$ -	\$ 58,896	\$ 58,896	\$ -
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 58,896</b>	<b>\$ 58,896</b>	<b>\$ -</b>
<b><u>Drainage District I:</u></b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 16	\$ 1,555	\$ 1,571	\$ -
<b>Total Assets</b>	<b>\$ 16</b>	<b>\$ 1,555</b>	<b>\$ 1,571</b>	<b>\$ -</b>
<b>Liabilities:</b>				
Due to other governments	\$ 16	\$ 1,555	\$ 1,571	\$ -
<b>Total Liabilities</b>	<b>\$ 16</b>	<b>\$ 1,555</b>	<b>\$ 1,571</b>	<b>\$ -</b>
<b><u>Drainage District III:</u></b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 47	\$ 2,011	\$ 2,010	\$ 48
<b>Total Assets</b>	<b>\$ 47</b>	<b>\$ 2,011</b>	<b>\$ 2,010</b>	<b>\$ 48</b>
<b>Liabilities:</b>				
Due to other governments	\$ 47	\$ 2,011	\$ 2,010	\$ 48
<b>Total Liabilities</b>	<b>\$ 47</b>	<b>\$ 2,011</b>	<b>\$ 2,010</b>	<b>\$ 48</b>

**Gates County, North Carolina**  
**Combining Schedule of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2017**  
**Schedule 17**

	Balance July 1, 2016	Additions	Deductions	Balance July 1, 2017
<b>Drainage District IV:</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 5	\$ 4,385	\$ 4,390	\$ -
Total Assets	\$ 5	\$ 4,385	\$ 4,390	\$ -
<b>Liabilities:</b>				
Due to other governments	\$ 5	\$ 4,385	\$ 4,390	\$ -
Total Liabilities	\$ 5	\$ 4,385	\$ 4,390	\$ -
<b>Town of Gatesville:</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,909	\$ 52,929	\$ 52,746	\$ 2,092
Total Assets	\$ 1,909	\$ 52,929	\$ 52,746	\$ 2,092
<b>Liabilities:</b>				
Due to other governments	\$ 1,909	\$ 52,929	\$ 52,746	\$ 2,092
Total Liabilities	\$ 1,909	\$ 52,929	\$ 52,746	\$ 2,092
<b>Emergency Medical Services Funds:</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ -	\$ 38,742	\$ 4,840	\$ 33,902
Total Assets	\$ -	\$ 38,742	\$ 4,840	\$ 33,902
<b>Liabilities:</b>				
Due to other governments	\$ -	\$ 38,742	\$ 4,840	\$ 33,902
Total Liabilities	\$ -	\$ 38,742	\$ 4,840	\$ 33,902
<b>Totals - All Agency Funds:</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 3,285	\$ 183,639	\$ 149,599	\$ 37,325
Total Assets	\$ 3,285	\$ 183,639	\$ 149,599	\$ 37,325
<b>Liabilities:</b>				
Miscellaneous liabilities	\$ 1,308	\$ 25,121	\$ 25,146	\$ 1,283
Due to other governments	\$ 1,977	\$ 158,518	\$ 124,453	\$ 36,042
Total Liabilities	\$ 3,285	\$ 183,639	\$ 149,599	\$ 37,325

**Gates County, North Carolina**  
**Schedule of Ad Valorem Tax Receivable**  
**General Fund**  
**June 30, 2017**  
**Schedule 18**

Fiscal Year Ended June 30	Uncollected Balance June 30, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2017	\$ -	\$ 6,790,844	\$ 6,560,107	\$ 230,737
2016	212,705		154,353	58,352
2015	61,485		26,280	35,205
2014	42,524		6,922	35,602
2013	38,950		6,040	32,910
2012	30,000		4,124	25,876
2011	22,363		3,046	19,317
2010	22,953		2,687	20,266
2009	29,448		2,629	26,819
2008	27,643		2,384	25,259
2007	21,777		21,777	-
<b>Totals</b>	<b>\$ 509,848</b>	<b>\$ 6,790,844</b>	<b>\$ 6,790,349</b>	<b>510,343</b>
Less allowance for doubtful accounts				(226,109)
<b>Ad valorem taxes receivable, net</b>				<b>\$ 284,234</b>
Reconcilement with revenues:				
Ad valorem taxes - General Fund				\$ 6,812,573
Reconciling items:				
Interest and penalties collected				(60,251)
Refunds				25,709
Taxes written off - Ten year statute of limitations				20,349
Prior years releases and adjustments				(8,031)
<b>Total reconciling items</b>				<b>(22,224)</b>
<b>Total collections and credits</b>				<b>\$ 6,790,349</b>

**Gates County, North Carolina**  
**Analysis of Current Tax Levy**  
**County-Wide Levy**  
**For the Year Ended June 30, 2017**  
**Schedule 19**

	County-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 955,082,146	\$ 0.68	\$ 6,494,559	\$ 5,830,166	\$ 664,393
Penalties			45,313	45,313	-
<b>Total</b>	<b>955,082,146</b>		<b>6,539,872</b>	<b>5,875,479</b>	<b>664,393</b>
Discoveries:					
Current year taxes	40,001,030	0.68	272,007	272,007	-
Penalties	-		4,288	4,288	-
<b>Total</b>	<b>40,001,030</b>	<b>0.68</b>	<b>276,295</b>	<b>276,295</b>	<b>-</b>
Abatements:					
Current year taxes	(3,723,971)	0.68	(25,323)	(25,323)	-
Prior year's taxes	-		-	-	-
<b>Total</b>	<b>(3,723,971)</b>	<b>0.68</b>	<b>(25,323)</b>	<b>(25,323)</b>	<b>-</b>
<b>Total property valuation</b>	<b>\$ 991,359,205</b>				
Net Levy			6,790,844	6,126,451	664,393
Uncollected taxes at June 30, 2017			230,737	230,737	-
<b>Current year's taxes collected</b>			<b>\$ 6,560,107</b>	<b>\$ 5,895,714</b>	<b>\$ 664,393</b>
<b>Current levy collection percentage</b>			<b>96.60%</b>	<b>96.23%</b>	<b>100.00%</b>



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**INDEPENDENT AUDITORS' 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 Commissioners  
Gates County, North Carolina

We have audited, in accordance with the 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, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gates County, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises Gates County, North Carolina's basic financial statements and have issued our report thereon dated March 28, 2018. That report includes a reference to other auditors who audited the financial statements of the Gates County ABC Board, as described in our report on Gates County, North Carolina's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Gates County ABC Board were not audited in accordance with Governmental Auditing Standards.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We considered the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: Items 2017-001 to 2017-004.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **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*.

During our audit, we also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency: Items 2017-005 and 2017-006.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

Gates County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Cary, Riggs & Ingram, L.L.C.*

Raleigh, North Carolina  
March 28, 2018



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; WITH OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Board of Commissioners  
Gates County, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited Gates County, North Carolina's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Gates County's major federal programs for the year ended June 30, 2017. Gates County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for Gates County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Gates County's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Gates County, North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control over Compliance**

Management of Gates County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Gates County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

*Cary, Riggs & Ingram, L.L.C.*

Raleigh, North Carolina  
March 28, 2018



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH OMB UNIFORM GUIDANCE; AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Board of Commissioners  
Gates County, North Carolina

**Report on Compliance for Each Major State Program**

We have audited Gates County, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Gates County's major state programs for the year ended June 30, 2017. Gates County's major state programs are identified in the summary of auditors' results section in the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Gates County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, 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 state program occurred. An audit includes examining, on a test basis, evidence about Gates County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Gates County's compliance.

### **Opinion on Each Major State Program**

In our opinion, Gates County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

Management of Gates County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Gates County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gates County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

*Carr, Riggs & Ingram, L.L.C.*

Raleigh, North Carolina  
March 28, 2018

**Gates County, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For The Year Ended June 30, 2017**

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**Section I. Summary of Auditors' Results**

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**Financial Statements**

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

Internal control over financial reporting:

· Material weakness(es) identified?	<u>  X  </u> Yes	<u>      </u> No
· Significant deficiency(s) identified?	<u>      </u> Yes	<u>  X  </u> None reported
· Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> No

**Federal Awards**

Internal control over major federal programs:

· Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No
· Significant deficiency(s) identified?	<u>      </u> Yes	<u>  X  </u> No

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u>      </u> Yes	<u>  X  </u> No
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Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.778	Medical Assistance Program (Title XIX - Medicaid)

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

Auditee qualified as low-risk auditee?	<u>      </u> Yes	<u>  X  </u> No
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**Gates County, North Carolina  
Schedule of Findings and Questioned Costs  
For The Year Ended June 30, 2017**

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**Section I. Summary of Auditors' Results – (Continued)**

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**State Awards**

Internal control over major State programs:

· Material weakness(es) identified?	_____ Yes	_____ X No	
· Significant deficiency(s) identified that are not considered to be material weaknesses	_____ Yes	_____ X None reported	

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	_____ Yes	_____ X No	
--	-----------	------------	--

Identification of major state program:

Name of Program  
Title XIX – Medicaid State Match

**Gates County, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For The Year Ended June 30, 2017**

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**Section II - Financial Statement Findings**

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Finding: 2017-001 Accounts Receivable were not Reconciled to the General Ledger

**MATERIAL WEAKNESS**

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

Perspective/ Condition: Governmental and proprietary fund revenues and receivables, including property taxes, water and sewer charges and solid waste fees, were not reconciled to the general ledger, resulting in material adjustments to the trial balance.

Cause: The County did not reconcile subsidiary billing and collection reports from the tax department and water sewer and solid waste fees to the general ledger each month. The allowance for doubtful accounts was not reconciled to past due accounts receivable

Effect: The revenues and receivable per the general ledger did not agree with billing and collections reports for the tax department and water sewer and solid waste. The estimates for allowance for doubtful accounts were understated and substantially less than actual past due receivables

Recommendation: The County should reconcile accounts receivable per the tax department and water billing departments to the general ledger on a regular basis to ensure that revenues and receivable are accurate. The allowance for doubtful accounts should also be reconciled to past due account receivable on a regular basis..

View of responsible officials: Management agrees with this finding and has set forth a corrective action plan as noted in the following section.

Finding: 2017-002 Budget Interfund Transfers and Cost Allocations Were Not Recorded

**MATERIAL WEAKNESS**

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

Perspective/ Condition: Budget transfers and cost allocations approved in the budget ordinance were not recorded during the year resulting in material adjustments to the trial balance.

Cause: The County did not record budgeted transfers and cost allocations until after the fiscal year end.

Effect: Budget transfer and cost allocation were not recorded in a timely manner, resulting in several funds having significant losses and / or a deficit fund balance before the transfers were recorded. This also resulted in interfund receivables as several funds had a negative cash balances prior to the transfers

Recommendation: The County should review budget to actual income statements each month to ensure that revenues, expenditures and interlude transfers have been properly recorded and are reasonable when compared to the budget ordinance and any amendment thereto. Transfers and cost allocations approved by the Board of Commissioners should be recorded during the fiscal year

View of responsible officials: Management agrees with this finding and has set forth a corrective action plan as noted in the following section.

**Gates County, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For The Year Ended June 30, 2017**

Finding: 2017-003 Current Year DSS Reimbursement Account Receivable Posted to Following Fiscal Year

**MATERIAL WEAKNESS**

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

Perspective/ Condition: Though the form was completed accurately and was timely filed, the account receivable for June 2017 DSS Administrative Reimbursement was recorded as a revenue in fiscal year 2018 rather than current fiscal year.

Cause: The deposit for DSS reimbursement receivable was posted to August 2017 rather than June 2017.

Effect: Revenues and accounts receivable were understated by one month DSS reimbursement

Recommendation: The County should review budget to actual income statements each month to ensure that revenues, expenditures, receivables and payables have been properly recorded and are reasonable when compared to the budget ordinance and any amendment thereto.

View of responsible officials: Management agrees with this finding and has set forth a corrective action plan as noted in the following section.

Finding: 2017-004 Significant Number of Reconciling items for Central Depository Bank Account

**MATERIAL WEAKNESS**

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

Perspective/ Condition: The bank reconciliation for the County's central depository account included a significant number of reconciling items including some items aged beyond one year.

Cause: Errors and reconciling items found during bank reconciliations were not corrected in a timely manner. Therefore, these items were carried forward on bank reconciliation to the following months.

Effect: The central depository bank account does not agree to bank statement due to significant reconciling items not being corrected in a timely manner.

Recommendation: Bank reconciliation should be performed each month in a timely manner. All errors or reconciling items should be corrected each month to ensure the accuracy of bank account balance on the general ledger. Reconciling items should not be carried forward to the next month.

View of responsible officials: Management agrees with this finding and has set forth a corrective action plan as noted in the following section.

**Gates County, North Carolina  
Schedule of Findings and Questioned Costs  
For The Year Ended June 30, 2017**

Finding: 2017-005 Incorrect Water Bills

**CONTROL DEFICIENCY**

Criteria: Management should have a system in place to ensure accurate billing for water and sewer services

Perspective/ Condition: During test of controls, two out of a sample of 40 water customers were billed at incorrect rates.

Cause The water bills were billed at incorrect water rates.

Effect: The customers were not billed the correct amount for water usage for the month of November 2016 and February 2017.

Recommendation: The County should review and test water sewer and solid waste bills to ensure that the proper usage and rates are applied to customers water bills.

View of responsible officials: Management agrees with this finding and has set forth a corrective action plan as noted in the following section.

Finding: 2017-006 General Information Technology Controls

**CONTROL DEFICIENCY**

Criteria: Management should have a system in place to control access to all IT systems

Perspective/ Condition: The County does not have a formal policy for granting and removing access to computers or IT systems. Also segregation of duties in the IT department was not maintained. Password parameters were also not enforced to login to IT system. The County has not performed a test of backup systems to ensure that data may be recovered in the event of data loss.

Cause The County has limited resources to hire additional IT personnel to segregate duties and upgrade IT systems and controls.

Effect: The County was exposed to vulnerabilities in controls over the use of the County's information technology system.

Recommendation: The County should review its IT policies and procedures to ensure that access to computers and IT systems are limited only to authorized personnel. The county should perform periodic test of backup systems to ensure that data may be recovered in the event of data loss or computer system breach.

View of responsible officials: Management agrees with this finding and has set forth a corrective action plan as noted in the following section.



**Gates County, North Carolina  
Schedule of Findings and Questioned Costs  
For The Year Ended June 30, 2017**

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

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None reported.

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

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None reported.

**Gates County, North Carolina**  
**Corrective Action Plan**  
**For The Year Ended June 30, 2017**

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**Section II - Financial Statement Findings**

---

Finding: 2017-001 Accounts Receivable were not Reconciled to the General Ledger

Name of Contact Person: Natalie Rountree, County Manager

Corrective Action Plan: The County will review taxes receivable reports and water sewer and solid waste billing and collections reports each month and reconcile these amounts to the general ledger.

Proposed Completion Date: June 30, 2018

Finding: 2017-002 Budget Interfund Transfers and Cost Allocations Were Not Recorded

Name of Contact Person: Natalie Rountree, County Manager

Corrective Action Plan: The County will review and monitor budget to actual statements each month to ensure that revenues expenditures and interfund transfers are properly recoded and in compliance with the Budget ordinance approved by the County Board of Commissioners

Proposed Completion Date: June 30, 2018

Finding: 2017-003 Current Year Account Receivable Posted to Following Fiscal Year

Name of Contact Person: Natalie Rountree, County Manager

Corrective Action Plan: The County will review subsequent deposits and disbursements after the fiscal year end to ensure that receivable and payables, revenues and expenses are recorded in the proper period.

Proposed Completion Date: June 30, 2018

Finding: 2017-004 Significant Number of Reconciling items for Central Depository Bank Account

Name of Contact Person: Natalie Rountree, County Manager

Corrective Action Plan: The County will review bank reconciliations each month to correct any errors and to post reconciling times in a timely manner.

Proposed Completion Date: June 30, 2018

Finding: 2017-005 Incorrect Water Bills

Name of Contact Person: Natalie Rountree, County Manager

Corrective Action Plan: The County will review billing rates in its water billing software to ensure that the rates authorized in the budget ordinance match the rates used to bill for County services. The County will also periodically test water sewer and solid waste bills to ensure that the software is billing customers correctly;

Proposed Completion Date: June 30, 2018

**Gates County, North Carolina  
Corrective Action Plan  
For The Year Ended June 30, 2017**

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**Section II - Financial Statement Findings**

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Finding:                    2017-006      General Information Technology Controls

Name of Contact Person: Natalie Rountree, County Manager

Corrective Action Plan: The County will perform a back up test to ensure that data may be recovered in the event of data loss. The County will also review its policies and procedures regarding access to IT systems and computers to ensure only authorized personnel have access.

Proposed Completion Date: June 30, 2018

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

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None reported.

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

---

None reported

**Gates County, North Carolina**  
**Summary Schedule of Prior Year Audit Findings**  
**For The Year Ended June 30, 2017**

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**Section II - Financial Statement Findings**

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Finding:	2016-01 External auditor prepared draft
Summary:	County requires assistance from external auditors to draft its financial statements
Status:	The County has corrected this finding
Finding:	2016-002 Statute Violation - Expenditures Exceeding Appropriations
Summary:	Management should ensure spending is within amounts permitted by the budget ordinance and amendment to the budget ordinance.
Status:	The County has not corrected this finding. See finding 2017-002.

---

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

---

Finding:	2016-003 Material Weakness - Eligibility
Summary:	The County did not have proper controls to determine eligibility for Medicaid
Status:	The County has corrected this finding
Finding:	2016-004 Material Weakness - Eligibility
Summary:	The County made incorrect budget calculations for Medicaid eligibility
Status:	The County has corrected this finding
Finding:	2016-005 Non-Material Compliance - Eligibility
Summary:	A participant continue to receive SSI benefits but received benefits during appeals process. Participant continued to receive benefits after appeal was denied.
Status:	The County has corrected this finding

**Gates County, North Carolina**  
**Summary Schedule of Prior Year Audit Findings**  
**For The Year Ended June 30, 2017**

---

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

---

Finding: 2016-003 Material Weakness - Eligibility

Summary: The County did not have proper controls to determine eligibility for Medicaid

Status: The County has corrected this finding

Finding: 2016-004 Material Weakness - Eligibility

Summary: The County made incorrect budget calculations for Medicaid eligibility

Status: The County has corrected this finding

Finding: 2016-005 Non-Material Compliance - Eligibility

Summary: A participant continued to receive SSI benefits upon termination but received benefits during appeals process. The participant continued to receive benefits after the appeal was denied.

Status: The County has corrected this finding

Gates County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
**For The Fiscal Year Ended June 30, 2017**  
Page 1 of 5

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Passthrough Grantor's Number	Federal (Direct and Pass-through Expenditures)	State Expenditures	Passed Through to Subrecipients	Local Expenditures
<b>Federal Awards:</b>						
<b><u>U.S. Department of Agriculture:</u></b>						
<u>Food and Nutrition Service</u>						
Passed through N.C. Department of Health and Human Services:						
Division of Social Services:						
Administration:						
<u>SNAP Cluster:</u>						
State Administrative Matching Grants for the Supplemental Ni	10.561		202,132	-	-	202,132
Total Food Stamp Cluster			202,132	-	-	202,132
Passed through the N. C. Department of Health and Human Services:						
Division of Public Health:						
Direct Benefit Payments:						
Special Supplemental Nutrition Program for Women, Infant :	10.557		101,249	-	-	-
<b>Total U.S. Department of Agriculture</b>			<b>303,382</b>	<b>-</b>	<b>-</b>	<b>202,132</b>
<b><u>U.S. Department of Transportation</u></b>						
Passed through the N. C. Department of Transportation:						
<u>Transit Services Program Cluster</u>						
Gates County, Admin	20.509		121,186	-	-	-
Gates County, Capital	20.509		107,865	-	-	-
Total Formula Grants for Rural Areas			229,051	-	-	-
Gates County, Operating	20.513-CL		66,904	-	-	-
Total Transit Services Program Cluster			295,955	-	-	-
<b>Total U.S. Dept of Transportation</b>			<b>295,955</b>	<b>-</b>	<b>-</b>	<b>-</b>

Gates County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
**For The Fiscal Year Ended June 30, 2017**  
Page 2 of 5

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Passthrough Grantor's Number	Federal (Direct and Pass-through Expenditures)	State Expenditures	Passed Through to Subrecipients	Local Expenditures
<b><u>U.S. Department of Health and Human Services:</u></b>						
Division of Social Services:						
<u>Temporary Assistance for Needy Families Cluster</u>						
Temporary Assistance for Needy Families (TANF)/Work First	93.558		106,137	-	-	76,805
TANF/Work First - Direct Benefit Payments	93.558		70,244	(25)	-	-
Total TANF Cluster			176,381	(25)	-	76,805
Foster Care and Adoption						
Title IV-E Foster Care (CPS)	93.658		218	218	-	-
Title IV-E Foster Care Trn & Off Trn & family foster max, max leve	93.658		13,197	-	-	13,197
Title IV-E Adopt subsidy & vendor public assistance - Direct Ben	93.659		39	7	-	7
Foster Care	93.658		9,583	-	-	-
IV-D Administration & offset fees	93.563		112,378	-	-	57,892
Low-Income Home Energy Assistance:						
Low Income Energy Admin	93.568		7,256	-	-	-
Low Income Home Energy Assistance Payments-Direct Benefit	93.568		41,500	-	-	-
Crisis Intervention Program	93.568		29,594	-	-	-
Stephanie Tubbs Jones Child Welfare Services Program:						
Permanency Planning - Spec	93.645		180	-	-	60
SSBG Other Services and Training	93.667		64,936	6,113	-	23,683
Division of Aging and Adult Services:						
Division of Social Services:						
Adult Protective Service	93.667		21,011	-	-	-
In Home Services	93.667		160	-	-	23
Links, indep living transitional	93.674		148	37	-	-

Gates County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
**For The Fiscal Year Ended June 30, 2017**  
Page 3 of 5

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Passthrough Grantor's Number	Federal (Direct and Pass-through Expenditures)	State Expenditures	Passed Through to Subrecipients	Local Expenditures
Passed through NC Department of Health and Human Services						
<u>Subsidized Child Care Cluster</u>						
<u>Child Care Development Fund Cluster</u>						
Division of Social Services:						
Childcare Development Fund (CCDF) - Administration	93.596		76,681	-	-	-
Division of Child Development:						
Child Care and Development Fund - Discretionary	93.575		83,932	-	-	-
Child Care and Development Fund - Mandatory	93.596		39,399	-	-	-
Child Care and Development Fund - Match	93.596		7,311	3,889	-	-
Total Child Care Development Fund Cluster			207,323	3,889	-	-
Temporary Assistance for Needy Families- ARRA- Emergency Contingency Fund for Foster Care Title IV-E	93.558		33,118	-	-	-
TANF Contingency	93.658		3,295	-	-	-
TANF Contingency	93.575		22,140	-	-	-
State Appropriations	N/A		-	1,168	-	-
Foster Care Title IV-E Match	N/A		-	1,647	-	-
TANF-MOE	N/A		-	20,666	-	-
Total Subsidized Child Care Cluster			58,553	23,481	-	-

Gates County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
**For The Fiscal Year Ended June 30, 2017**  
Page 4 of 5

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Passthrough Grantor's Number	Federal (Direct and Pass-through Expenditures)	State Expenditures	Passed Through to Subrecipients	Local Expenditures
Passed through the NC Department of Health and Human Services						
Division of Medical Assistance:						
Direct Benefit Payments:						
Medical Assistance Program	93.778		8,320,544	4,526,646	-	-
Division of Social Services:						
Administration:						
Medical Assistance Program	93.778		357,399	314	-	181,005
<b>Total Medical Assistance Program</b>			<b>8,677,943</b>	<b>4,526,960</b>	<b>-</b>	<b>181,005</b>
Direct Benefit Payments						
State Children's Insurance Program - N.C. Health Choice	93.767		238,772	719	-	-
Division of Social Services:						
Administration:						
State Children's Health Insurance Program - N.C. Health Choi	93.767		13,854	13	-	22
<b>Total State Children's Insurance Program - N.C. Health Choice</b>			<b>252,626</b>	<b>732</b>	<b>-</b>	<b>22</b>
Passed thru National Association of County and City Health Offi	93.008		-	-	-	-
<b>Total U.S Department of Health and Human Services</b>			<b>9,673,026</b>	<b>4,561,411</b>	<b>-</b>	<b>352,694</b>
<b>Total Federal Awards</b>			<b>10,272,363</b>	<b>4,561,411</b>	<b>-</b>	<b>554,826</b>

Gates County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
**For The Fiscal Year Ended June 30, 2017**  
Page 5 of 5

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Passthrough Grantor's Number	Federal (Direct and Pass-through Expenditures)	State Expenditures	Passed Through to Subrecipients	Local Expenditures
<b>State Awards:</b>						
<b><u>N.C. Department of Health and Human Services:</u></b>						
Division of Social Services:						
State/County Special Assistance to Adults - Domiciliary Care Pymt - Direct Benefit Payments			-	114,797	-	115,355
Adoption Subsidy & vendor - Direct Benefit Payments			4,896	1,223	-	1,223
TANF/AFDC Incent/Prog Integrity			-	53	-	-
State Child Welfare/CPS/CS LD			-	537	-	-
County Funded Programs			-	-	-	137,817
Non-Allocating County Cost			-	-	-	(2,825)
Work First Non-reimbursable			-	-	-	9,512
SAASAD HB 1030			-	5,134	-	4,216
<b>Total Division of Social Services</b>			<b>4,896</b>	<b>121,744</b>	<b>-</b>	<b>265,298</b>
<b>Total N.C. Department of Health and Human Services</b>			<b>4,896</b>	<b>121,744</b>	<b>-</b>	<b>265,298</b>
<b><u>N.C. Department of Transportation:</u></b>						
Public Transportation Division:						
Rural Operating Assistance Program (ROAP)						
Elderly and Disabled Transportation Assistance Program (EDTAP)		DOT-16CL	-	49,978	-	-
Work First/Employment Transportation Operating Assistance (Work First)		DOT-16CL	-	4,853	-	-
Rural General Public Program (RGP)		DOT-16CL	-	48,947	-	-
Gates United Transit, Admin		DOT-11	-	7,574	-	-
Gates United Transit, Capital		DOT-14	-	13,484	-	-
<b>Total NC Dept of Transportation</b>			<b>-</b>	<b>124,836</b>	<b>-</b>	<b>-</b>
<b>Total State Awards</b>			<b>4,896</b>	<b>246,581</b>	<b>-</b>	<b>265,298</b>
<b>Total Federal and State Awards</b>			<b>\$ 10,277,259</b>	<b>\$ 4,807,991</b>	<b>\$ -</b>	<b>\$ 820,124</b>

**Gates County, North Carolina**  
**Notes to the Schedule of Expenditures of Federal and State Awards**  
**For The Fiscal Year Ended June 30, 2017**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of Gates County under the programs of the federal government and State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State Single Audit Implementation Act*. Because the SEFSA presents only a selected portion of the operations of Gates County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Gates County.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

**NOTE 3 – INDIRECT COSTS**

The County has not elected to utilize the 10% de Minimis indirect cost rate.

**NOTE 4 – PROGRAM CLUSTERS**

The following are programs clustered by the North Carolina Department of Health and Human Services and are treated separately for state audit purposes:

- Subsidized Child Care
- Foster Care and Adoption Assistance

**NOTE 5 – CONTINGENCIES**

Grant monies received and disbursed by the County are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the County does not believe that such disallowance, if any, would have a material effect on the financial position of the County. As of March 28, 2018, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

**NOTE 6 – SUBRECIPIENTS**

The County did not provide federal or state funds to subrecipients for the fiscal year ended June 30, 2017.

**NOTE 7 – LOANS AND LOAN GUARANTEES**

The County did not have any loans or loan guarantee programs required to be reported on the SEFSA for the fiscal year ending June 30, 2017.



**Gates County, North Carolina**  
**Notes to the Schedule of Expenditures of Federal and State Awards**  
**For The Fiscal Year Ended June 30, 2017**

**NOTE 8 – NONCASH ASSISTANCE**

The County did not receive any federal noncash assistance for the fiscal year ending June 30, 2017.

# Gates County, North Carolina

## Required Communications

June 30, 2017



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

[CRICpa.com](http://CRICpa.com)

**TAB: REQUIRED COMMUNICATIONS**

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March 28, 2018

Board of Commissioners and Management of the  
County of Gates, North Carolina

Dear Board of Commissioners and Management:

We are pleased to present the results of our audit of the 2017 financial statements of the County of Gates (the "County").

This report to the Board of Commissioners (the "Board") and Management summarizes our audit, the report issued and various analyses and observations related to the Board's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed to express an opinion on the County's 2017 financial statements. We considered the County's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the Board and Management, expect. We received the full support and assistance of the County's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Board, Management and others within the County and should not be used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 919-848-1259 or [sbailey@cricpa.com](mailto:sbailey@cricpa.com).

Very truly yours,

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC

## Required Communications

As discussed with the Board and Management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the County. Specifically, we planned and performed our audit to:

- Perform an annual audit, as required by North Carolina General Statutes, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, in order to express an opinion on the Board's financial statements for the year ended June 30, 2017;
- Conduct an audit 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act and issue a report on the Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major federal and state programs for the year ended June 30, 2017;
- Communicate directly with the County regarding the results of our procedures;
- Address with the County any accounting and financial reporting issues;
- Anticipate and respond to concerns of the County; and
- Other audit-related projects as they arise and upon request.

## Required Communications

We have audited the financial statements of the County as of and for the year ended June 30, 2017, and have issued our report thereon dated March 28, 2018. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Auditor's responsibility under Generally Accepted Auditing Standards, Government Auditing Standards, and Title 2, U.S. CFR Part 200</b></p>	<p>As stated in our engagement letter dated May 25, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the Board. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p> <p>Our audit also consisted of issuing reports regarding the Board's internal control, in accordance with <i>Government Auditing Standards</i>, and compliance with certain compliance requirements as it relates to the Board's major federal and / or state programs, in accordance with Title 2 U.S. CFR Part 200 and the State Single Audit Implementation Act.</p>
<p><b>Client's responsibility</b></p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
<p><b>Planned scope and timing of the audit</b></p>	<p>Timing for completion of the audit was altered as a result of a change in the engagement partner while the audit was in progress.</p>
<p><b>Management judgments and accounting estimates</b> <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.</i></p>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p>
<p><b>Potential effect on the financial statements of any significant risks and exposures</b> <i>Major risks and exposures facing the County and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles</b></p> <ul style="list-style-type: none"> <li>• <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i></li> <li>• <i>The auditor should also discuss the auditors' judgment about the quality, not just the acceptability, of the County's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the consolidated financial statements, including disclosures. Critical accounting policies and practices applied by the County in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations.</i></li> <li>• <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor. Furthermore, if the accounting policy selected by management is not the policy preferred by the auditor. Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i></li> </ul>	<p>The County adopted GASB 73 – <i>Accounting and Financial Reporting for Pensions and Related Assets</i> and GASB 75 – <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i> in fiscal year 2017.</p> <p>The County early adopted GASB 75 – <i>Accounting and Financial Reporting for Postemployment Benefits Other than Pensions</i> in fiscal year 2017.</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Significant difficulties encountered in the audit</b>  <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	Significant journal entries had not been recorded by management. See "Schedule of Findings and Questioned Costs" section within the financial statements
<p><b>Disagreements with management</b>  <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	None noted.
<p><b>Other findings or issues</b>  <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type audit, such as one under Governmental Auditing Standards, in addition to GAAS.</i></p>	None noted.
<p><b>Matters arising from the audit that were discussed with, or the subject of correspondence with, management</b>  <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	None noted.
<p><b>Corrected and uncorrected misstatements</b>  <i>All significant audit adjustments arising from the audit, whether or not recorded by the County, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the County about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	Please see the following section titled "Summary of Audit Adjustments."
<p><b>Major issues discussed with management prior to retention</b>  <i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	None noted.
<p><b>Consultations with other accountants</b>  <i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	None noted.
<p><b>Written representations</b>  <i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	See "Management Representation Letter" section.

## Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Internal control deficiencies</b>  <i>Any significant deficiencies or material weaknesses in internal control that came to the auditors' attention during the audit.</i></p>	<p>See "Schedule of Findings and Questioned Costs" section within the financial statements.</p>
<p><b>Fraud and illegal acts</b>  <i>Fraud involving senior management of the County or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors' attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	<p>We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.</p>
<p><b>Parties in interest and prohibited transactions</b></p>	<p>No prohibited transactions were noted. Transactions with parties in interest and other reportable transactions were properly disclosed in the notes to the financial statements, in accordance with GAAP.</p>
<p><b>Other information in documents containing audited financial statements</b>  <i>The external auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> <li>• Such information is materially inconsistent with the financial statements; and</li> <li>• We believe such information represents a material misstatement of fact.</li> </ul> <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

## Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the County's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The County may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Allowance for Uncollectible Receivables	The County estimates uncollectible ad valorem taxes receivable based on historical collectability percentages by age.	X	The County's estimated of collectability based on the County's historical experience in collecting aged receivables.	See "Schedule of Findings and Questioned Costs" section within the financial statements for material weakness
Capital Assets	Based upon our audit procedures, with respect to the County's capital assets, we noted that it estimates the annual provision for depreciation expense on estimated useful life of the capital assets in accordance with all applicable standards and guidelines.  The County calculates depreciation expense using the straight-line method.	X	The County estimate of the useful life of its capital assets.  The estimated useful lives, of County's capital assets, are based on a detailed management review.	See "Schedule of Findings and Questioned Costs" section within the financial statements for material weakness

**Accounting Policies, Judgments and Sensitive Estimates  
& CRI Comments on Quality**

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Compensated Absences	The County estimates the accrued liability at year-end for amounts owed to its employees for compensated absences based on prevailing rates of compensation.	X	The County's estimate of its accrued liability for compensated absences is based upon the established compensation levels at year-end which may differ from the actual amounts.	No material findings were noted
Unfunded Obligations of Pensions and Other Postemployment Benefits (OPEBs)	The County utilizes actuarial valuations to calculate the unfunded obligations for defined benefit pensions and OPEBs.	X	The County's estimate of the funding status of defined benefit pensions and OPEBs is based on actuarial studies performed by a third party firm hired by the State of North Carolina. The studies are based on employee and payroll data, discount factors, contributions, pension assets and investment gains, and actuarial assumptions.	No material findings were noted

## Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by the County and amounts that we believe are required to be recorded under GAAP. Those adjustments are either recorded (corrected) by the County or passed (uncorrected).

During the performance of our audit, no uncorrected misstatements of the financial statements were noted. A schedule of corrected misstatements has been provided to management.

### QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the County's operating environment that has been identified as playing a significant role in the County's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.
- Whether the difference involves concealment of a prohibited transaction, or transaction with a party in interest, as defined by GAAP or any applicable federal, state or local laws.

## Management Representation Letter

March 28, 2018

Carr, Riggs & Ingram, LLC  
911 Paverstone Drive, Suite A  
Raleigh, NC 27615

This representation letter is provided in connection with your audit of the financial statements of Gates County, which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 28, 2018, the following representations made to you during your audit.

### Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 25, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
- 8) We are in agreement with the adjusting journal entries you have proposed and have posted them to the County's accounts.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

## Management Representation Letter

10) Guarantees, whether written or oral, under which the County is contingently liable, if any, have been properly recorded or disclosed.

### Information Provided

11) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
- b) Additional information that you have requested from us for the purpose of the audit.
- c) Unrestricted access to persons within the County from whom you determined it necessary to obtain audit evidence.
- d) Minutes of the meetings of Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.

13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) Except as made known to you, we have no knowledge of any fraud or suspected fraud that affects the County and involves:

- Management,
- Employees who have significant roles in internal control, or
- Others where the fraud could have a material effect on the financial statements.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting the County's financial statements communicated by employees, former employees, regulators, or others.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18) We have disclosed to you the identity of the County's related parties and all the related party relationships and transactions of which we are aware.

### Government—specific

19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20) We have taken timely and appropriate steps to remedy non-compliance with provisions of laws, regulations, contracts, and/or grant agreements and abuse that you have made reported to us.

21) We have a process to track the status of audit findings and recommendations.

22) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

23) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

24) The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

## Management Representation Letter

- 25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 26) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 27) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 28) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 29) Except as made known to you, there are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 30) As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal and state awards, preparation of the data collection form, preparation of the annual financial information report (AFIR), maintaining the depreciation schedules, and other non-attest services. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal and state awards, data collection form, AFIR, depreciation schedules, and any other non-attest service performed by you.
- 31) The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 32) The County has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 33) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 34) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 35) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 36) Components of net position (net investment in capital assets; restricted; and unrestricted) , and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 37) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 38) Provisions for uncollectible receivables have been properly identified and recorded.
- 39) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

## Management Representation Letter

- 40) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 41) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 42) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 43) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 44) We have appropriately disclosed the County's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 45) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 46) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 47) With respect to the combining and individual fund statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards:
  - a) We acknowledge our responsibility for presenting the combining and individual fund statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards in accordance with accounting principles generally accepted in the United States of America, and we believe the combining and individual fund statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the combining and individual fund statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b) If the combining and individual fund statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 48) With respect to federal and state award programs:
  - a) We are responsible for understanding and complying with and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Implementation Act* (State Act), including requirements relating to preparation of the schedule of expenditures of federal and state awards.
  - b) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFSA) in accordance with the requirements of Uniform Guidance §310.b, and we believe the SEFSA, including its form and content, is fairly presented in accordance with Uniform Guidance §310.b and the State Act. The methods of measurement or presentation of the SEFSA have not

## Management Representation Letter

changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFSA.

- c) If the SEFSA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFSA no later than the date we issue the SEFSA and the auditor's report thereon.
- d) We have identified and disclosed to you all of our government programs and related activities subject to Uniform Guidance and State Act compliance audit, and have included in the SEFSA expenditures made during the audit period for all awards provided by federal and state agencies in the form of grants, federal and state cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and state programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended.
- g) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relevant to federal and state programs and related activities.
- h) Except as made known to you, we have received no requests from a federal or state agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the OMB *Compliance Supplement*, relating to federal and state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal and state awards.
- j) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) and the State Act.
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.

## Management Representation Letter

- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.
- r) Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s) The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t) We have charged costs to federal and state awards in accordance with applicable cost principles.
- u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance and State Act and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
- v) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by Uniform Guidance.
- w) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance and State Act.
- x) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- y) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

Signature: \_\_\_\_\_  
Natalie Roundtree

Title: County Manager