GATES COUNTY, NORTH CAROLINA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

Prepared by:
Department of Finance

Submitted by:
Natalie Rountree
County Manager

GATES COUNTY, NORTH CAROLINA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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FINANCIAL SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

Members of 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of **Gates County, North Carolina (the "County")**, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Gates County ABC Board, which represents 100% of the assets, net position, and revenues of the discretely presented component unit. Those 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gates County, North Carolina as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the 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 Schedule of Changes in the County's Total OPEB Liability and Related Ratios – OPEB Plan, the Schedule of Changes in Total Pension Liability – LEOSSA, the Schedule of Total Pension Liability as a Percentage of Covered Payroll – LEOSSA, the County's Proportionate Share of Net Pension Liability (Asset) – LGERS, the Schedule of the County's Contributions – LGERS, the County's Proportionate Share of Net Pension Liability (Asset) – Register of Deeds Supplemental Pension Fund, and the Schedule of the County's Contributions – Register of Deeds Supplemental Pension Fund, on pages 69, 70, 71, 72, 73, 75 and 76, respectively, 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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements and schedules, and the schedule of expenditures of federal and state awards, as required by 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules and the schedule of expenditures of federal and state awards (the "supplementary information") 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. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2020 on our consideration of the 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 that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's 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 the County's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 24, 2020

Management's Discussion and Analysis

As management of Gates County, we offer readers of Gates County's financial statements this narrative overview and analysis of the financial activities of Gates County for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of Gates County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $18,534,374 (*net position*).

- The County's total net position increased by $5,920,132.

- As of the close of the current fiscal year, Gates County's total governmental funds reported combined ending fund balances of $9,915,356, an increase of $6,448,507 from the June 30, 2018 fund balance.

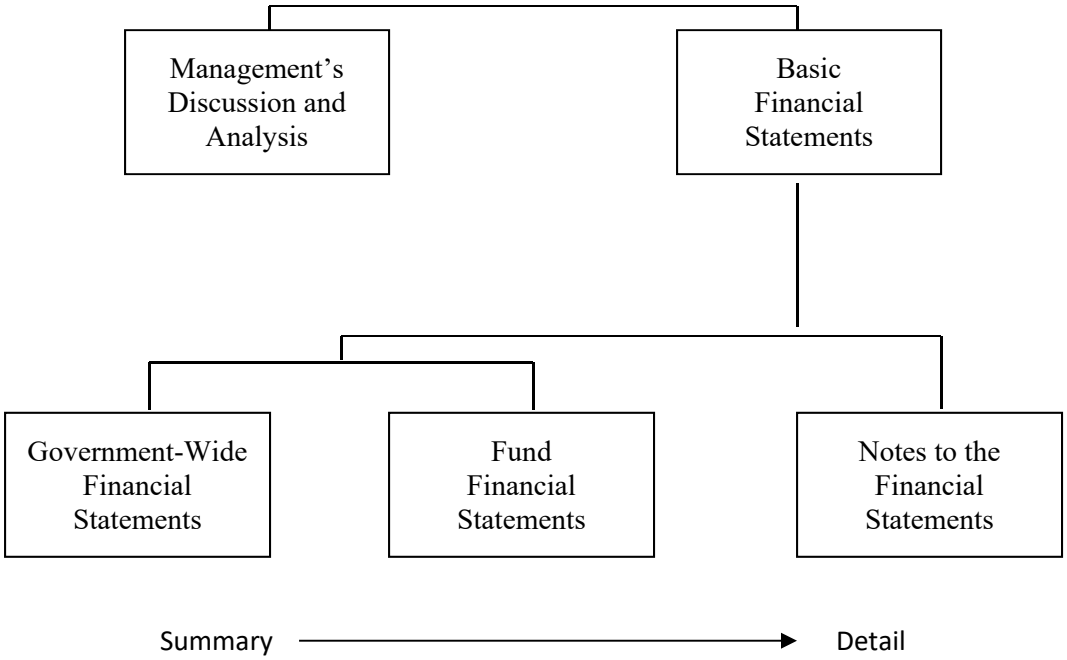
- At the end of the current fiscal year, total fund balance for the General Fund was $3,174,260, an increase of $607,693 from the June 30, 2018 balance; $211,753 of this fund balance amount represents fund balance for the Revaluation and Register of Deeds funds that are consolidated into the General Fund as part of GASB 54 reporting requirements and $1,173,677 of the fund balance is restricted by the State Stabilization Requirements.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 13-15 of this report.

Fund Financial Statements

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

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

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning at page 24 of this report.

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

Government-Wide Financial Analysis

Gates County's Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018-restated	2019	2018
Current and other assets	$ 10,753,161	$ 4,253,651	$ 3,046,969	$ 2,722,358	$ 13,800,130	$ 6,976,009
Capital assets	12,791,270	7,814,154	8,382,691	6,544,808	21,173,961	14,358,962
Total assets	23,544,431	12,067,805	11,429,660	9,267,166	34,974,091	21,334,971
Total deferred outflows of resources	891,574	605,593	86,499	47,117	978,073	652,710
Long-term liabilities	15,399,977	8,019,404	669,081	302,935	16,069,058	8,322,339
Other liabilities	389,861	386,183	242,991	138,844	632,852	525,027
Total liabiliites	15,789,838	8,405,587	912,072	441,779	16,701,910	8,847,366
Total deferred inflows of resources	633,202	499,767	82,678	26,306	715,880	526,073
Net position:						
Net investment in capital asstes	9,864,462	6,869,703	8,382,691	6,544,808	18,247,153	13,414,511
Restricted	2,433,643	2,281,954	-	-	2,433,643	2,281,954
Unrestricted	(4,285,140)	(5,383,613)	2,138,718	2,301,390	(2,146,422)	(3,082,223)
Total net position	$ 8,012,965	$ 3,768,044	$ 10,521,409	$ 8,846,198	$ 18,534,374	$ 12,614,242

As noted earlier, net position, over time, may serve as a useful indicator of a government's financial position. For Gates County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $18,534,374 at the close of the most recent fiscal year. The County's net position increased by $5,950,132 for the fiscal year ended June 30, 2019.

One of the largest portions of Gates County's net position reflects the County's net investment in capital assets (e.g., land, buildings, machinery and equipment). The County reported net investment in capital assets of $18,247,153, which represents 98% of the County's total net position. Gates County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Gates County's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to repay these liabilities.

At the end of the current fiscal year, Gates County is reporting unrestricted net position in the amount of ($2146,422) for the government as a whole. It should be noted that the County is carrying roughly $7.8 million in debt related to schools. Schools are not recorded as assets on the County's books; they are recorded as assets by the Board of Education.

Gates County's Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program revenues						
Charges for services	$ 691,779	$ 639,942	$ 4,133,091	$ 2,040,867	$ 4,824,870	$ 2,680,809
Operating grants and contributions	4,121,203	1,767,110	-	-	4,121,203	1,767,110
Capital grants and contributions	362,603	371,345	-	-	362,603	371,345
General revenues						
Property taxes	7,160,355	7,073,900	-	-	7,160,355	7,073,900
Local option sales tax	2,755,775	1,956,027	-	-	2,755,775	1,956,027
Other taxes	-	-	-	-	-	-
Other items	-	-	30,957	42,683	30,957	42,683
Interest earnings	169,149	10,189	21,430	14,974	190,579	25,163
Total revenues	15,260,864	11,818,513	4,185,478	2,098,524	19,446,342	13,917,037
Expenses						
General government	1,544,241	1,542,364	-	-	1,544,241	1,542,364
Public safety	2,436,700	2,429,425	-	-	2,436,700	2,429,425
Human services	2,201,393	2,384,442	-	-	2,201,393	2,384,442
Education	2,734,229	2,714,000	-	-	2,734,229	2,714,000
Economic and physical development	1,339,741	1,292,312	-	-	1,339,741	1,292,312
Culture and recreation	340,224	365,919	-	-	340,224	365,919
Interest on long-term debt	370,975	83,057	-	-	370,975	83,057
Landfill	-	-	844,123	931,562	844,123	931,562
Water	-	-	1,684,584	853,055	1,684,584	853,055
Total expenses	10,967,503	10,811,519	2,528,707	1,784,617	13,496,210	12,596,136
Increase (decrease) before transfers	4,293,361	1,006,994	1,656,771	313,907	5,950,132	1,320,901
Transfers	(18,440)	(1,227,480)	18,440	1,227,480	-	-
Change in net position	4,274,921	(220,486)	1,675,211	1,541,387	5,950,132	1,320,901
Net position, beginning	3,768,044	6,281,130	8,991,257	7,596,352	12,759,301	13,877,482
Restatements	-	(2,292,600)	(145,059)	(146,482)	(145,059)	(2,439,082)
Net position, ending	$ 8,042,965	$ 3,768,044	$ 10,521,409	$ 8,991,257	$ 18,564,374	$ 12,759,301

Governmental Activities. Governmental activities increased the County's net position by $4,274,921. Key elements of this increase are as follows:

- Decreases in the transfers from General Fund to the business-type activities. The transfers out to the enterprise fund decreased to $18,440 in the fiscal year ended June 30, 2019.
- An increase in operating grants and contributions of $2,354,093 over fiscal year 2018.
- An increase in interest earnings as well as local option sales tax totaling $958,708 over fiscal year 2018.

Business-Type Activities. Business-type activities increased Gates County's net position by $1,675,211. This increase is predominantly driven by the current year increases in charges of services of $2,092,224.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, Gates County's governmental funds reported combined ending fund balances of $9,915,356, an increase of $6,448,507 in comparison with 2018. This increase is attributable primarily to the loan received for the Central Middle School project.

The General Fund is the principal operating fund of Gates County. At the end of the current fiscal year, unassigned fund balance of the General Fund was $1,529,178 while total fund balance for the General Fund was $3,174,260. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13.20% of total General Fund expenditures (excluding transfers), while total fund balance represents 27.4% of that same amount. Available unassigned fund balance, which is total fund balance less non-spendable fund balance and less stabilization by State statute amounts, totaled $1,529,178 for the General Fund.

The Middle School Fund is used for the construction and retro-fitting of Central Middle School. The Fund is used to account for the restricted loan proceeds which are restricted to use on the school district improvements. The restricted fund balance is $5,692,883 for this fund.

General Fund Budgetary Highlights

During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available, 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants, and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by approximately $242,826 (2.1%).

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

Unrestricted net position at June 30, 2019 was $86,175 and $2,052,543 for the Landfill Fund and the Water Fund, respectively.

Capital Asset and Debt Administration

Capital Assets. The County reported capital assets for its governmental and business-type activities of $21,174,261 (net of accumulated depreciation) as of June 30, 2019. These assets include land buildings, other improvements, equipment, vehicles, and plant and systems.

Gates County's Capital Assets

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	$ 1,138,007	$ 1,138,007	$ 432,336	$ 432,336	$ 1,570,343	$ 1,570,343
Construction in progress	5,829,656	1,355,633	4,237,635	2,281,237	10,067,291	3,636,870
Buildings and improvements	3,440,955	3,483,300	-	-	3,440,955	3,483,300
Other improvements	869,050	603,339	-	-	869,050	603,339
Plant and distribution systems	-	-	3,617,685	3,803,617	3,617,685	3,803,617
Equipment	956,268	727,094	57,867	-	1,014,135	727,094
Vehicles	557,634	506,781	37,168	27,618	594,802	534,399
Total capital assets	$ 12,791,570	$ 7,814,154	$ 8,382,691	$ 6,544,808	$ 21,174,261	$ 14,358,962

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

Long-Term Debt. At the end of the current fiscal year, Gates County's long-term obligations are summarized below.

Gates County's Long-Term Obligations

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Notes payable	$ 2,129,692	$ 2,677,785	$ -	$ -	$ 2,129,692	$ 2,677,785
Bonds payable	7,790,000	-	-	-	7,790,000	-
Compensated absences	325,218	278,987	30,145	24,553	355,363	303,540
Net pension liability (LGERS)	1,010,982	643,647	98,800	56,050	1,109,782	699,697
Net pension liability (LEOSSA)	188,078	186,983	-	-	188,078	186,983
Net OPEB liability	3,877,931	4,198,921	540,136	222,332	4,418,067	4,421,253
Total capital assets	$ 15,321,901	$ 7,986,323	$ 669,081	$ 302,935	$ 15,990,982	$ 8,289,258

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Gates County is $71,382,103.

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

Economic Factors and Next Year's Budget and Rates

- The tax rate for fiscal year ending 2020 will be $0.79 per $100 of assessed property value, an increase of $0.03 from fiscal year end June 30, 2019.
- Solid Waste fees will move from a monthly fee included on the water bill to the tax bill as the Gates County Code of Ordinances directs. The total fee will be $240, an unchanged amount from the total monthly billings.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities. During fiscal year 2020, Gates County will continue to control the cost of government while growing revenue through property tax base and sales tax growth. The County will strive for continuous improvement and efficiency in all governmental service areas and update fiscal policies as appropriate.

Enterprise Activities. In fiscal year 2020 the base sewer rates will change from $20 for the first 1,000 gallons to $24. Base water rates will increase from $10 for the 1,000 gallons of usage to $12. Other fee changes include the cut seal/lock fee changing from $15 to $25 and the Service fee changing from $25 to $40. New fees include a replacement meter, replacement meter box and lid, replacement box and replacement lids. The tap-on fees for all line sizes also will increase. Solid Waste fees will move to the yearly tax bill. Operation and maintenance of the respective systems (water, sewer, and solid waste) will continue. Repair work as necessary will take place on the system. Construction will be finalized on the new wastewater treatment plant.

Requests for Information

This financial report is designed to provide a general overview of Gates County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be directed to the Finance Officer or County Manager, Gates County, 200 Court Street, Gatesville, North Carolina 27938.

GATES COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Gates County ABC Board
ASSETS				
Cash and cash equivalents	$ 8,171,540	$ 2,548,888	$ 10,720,428	$ 87,930
Receivables, net of allowance for uncollectibles	36,747	458,651	495,398	-
Taxes receivable, net of allowance for uncollectibles	302,536	-	302,536	-
Due from other governments	2,015,721	8,495	2,024,216	-
Inventories	-	30,935	30,935	174,290
Prepaid items	-	-	-	2,078
Restricted cash and cash equivalents	211,753	-	211,753	-
Net pension asset	14,864	-	14,864	-
Capital assets:				
Non-depreciable	6,967,663	4,669,971	11,637,634	-
Depreciable, net of accumulated depreciation	5,823,607	3,712,720	9,536,327	521,185
Total assets	23,544,431	11,429,660	34,974,091	785,483
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	816,021	75,975	891,996	6,466
OPEB related items	75,553	10,524	86,077	-
Total deferred outflows of resources	891,574	86,499	978,073	6,466
LIABILITIES				
Accounts payable	163,080	240,252	403,332	44,395
Accrued liabilities	226,781	2,739	229,520	18,943
Interest payable	78,076	-	78,076	-
Installment notes, due within one year	551,410	-	551,410	-
Installment notes, due in more than one year	1,578,282	-	1,578,282	-
Bonds, due within one year	410,000	-	410,000	-
Bonds, due in more than one year	7,380,000	-	7,380,000	-
Compensated absences, due in one year	85,000	30,145	115,145	-
Compensated absences, due in more than one year	240,218	-	240,218	-
Total pension liability, due in more than one year	188,078	-	188,078	-
Net pension liability, due in more than one year	1,010,982	98,800	1,109,782	6,405
Total OPEB liability, due in more than one year	3,877,931	540,136	4,418,067	-
Total liabilities	15,789,838	912,072	16,701,910	69,743
DEFERRED INFLOWS OF RESOURCES				
Deferred tax revenue	26,912	-	26,912	-
OPEB related items	581,401	80,980	662,381	-
Pension related items	24,889	1,698	26,587	33
Total deferred inflows of resources	633,202	82,678	715,880	33
NET POSITION				
Net investment in capital assets	9,864,462	8,382,691	18,247,153	521,185
Restricted for:				
Stabilization by State Statute	1,173,677	-	1,173,677	-
Human services	201,460	-	201,460	-
Community services	10,293	-	10,293	
Education	870,499	-	870,499	-
Capital projects	177,714	-	177,714	-
Working capital	-	-	-	24,038
Unrestricted	(4,285,140)	2,138,718	(2,146,422)	176,950
Total net position	$ 8,012,965	$ 10,521,409	$ 18,534,374	$ 722,173

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental activities:				
General government	$ 1,544,241	$ 69,168	$ 314,185	$ -
Public safety	2,436,700	498,141	-	287,374
Human services	2,201,393	45,220	1,376,599	-
Education	2,734,229	-	2,197,479	-
Economic development	1,339,741	79,250	232,940	75,229
Culture and recreation	370,224	-	-	-
Interest on long-term debt	370,975	-	-	-
Total governmental activities	10,997,503	691,779	4,121,203	362,603
Business-type activities:				
Landfill	844,123	898,772	-	-
Water	1,684,584	3,234,319	-	-
Total business-type activities	2,528,707	4,133,091	-	-
Total primary government	$ 13,526,210	$ 4,824,870	$ 4,121,203	$ 362,603
Component Unit:				
Gates County ABC Board	$ 795,894	$ 805,966	$ -	$ -
Total component unit	$ 795,894	$ 805,966	$ -	$ -

General revenues:
- Ad valorem taxes
- Sales and use taxes
- Investment earnings
- Miscellaneous

Transfers

Total general revenues

Change in net position

Net position, beginning of year, restated

Net position, end of year

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

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Gates County ABC Board
$ (1,160,888)	$ -	$ (1,160,888)	$ (1,160,888)
(1,651,185)	-	(1,651,185)	(1,651,185)
(779,574)	-	(779,574)	(779,574)
(536,750)	-	(536,750)	(536,750)
(952,322)	-	(952,322)	(952,322)
(370,224)	-	(370,224)	(370,224)
(370,975)	-	(370,975)	(370,975)
(5,821,918)	-	(5,821,918)	(5,821,918)
-	54,649	54,649	109,298
-	1,549,735	1,549,735	3,099,470
-	1,604,384	1,604,384	3,208,768
$ (5,821,918)	$ 1,604,384	$ (4,217,534)	$ (2,613,150)
$ -	$ -	$ -	$ 10,072
$ -	$ -	$ -	$ 10,072
$ 7,160,355	$ -	$ 7,160,355	$ -
2,755,775	-	2,755,775	-
169,149	21,430	190,579	-
-	30,957	30,957	-
(18,440)	18,440	-	-
10,066,839	70,827	10,137,666	-
4,244,921	1,675,211	5,920,132	10,072
3,768,044	8,846,198	12,614,242	712,101
$ 8,012,965	$ 10,521,409	$ 18,534,374	$ 722,173

GATES COUNTY, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

ASSETS	General Fund	Middle School Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash	$ 2,188,058	$ 4,917,234	$ 1,063,061	$ 8,168,353
Taxes receivable, net	302,536	-	-	302,536
Accounts receivable	27,372	-	9,375	36,747
Due from other governments	1,234,794	777,237	3,690	2,015,721
Due from other funds	11,956	-	-	11,956
Restricted cash and cash equivalents	211,753	-	-	211,753
Total assets	$ 3,976,469	$ 5,694,471	$ 1,076,126	$ 10,747,066
LIABILITIES				
Accounts payable	$ 145,535	$ 1,588	$ 15,957	$ 163,080
Accrued payroll and withholdings	226,781	-	-	226,781
Due to other funds	-	-	11,956	11,956
Total liabilities	372,316	1,588	27,913	401,817
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - ad valorem taxes	263,437	-	-	263,437
Unavailable revenue - intergovernmental	139,544	-	-	139,544
Deferred revenue - prepaid taxes	26,912	-	-	26,912
Total deferred inflows of resources	429,893	-	-	429,893
FUND BALANCES				
Restricted:				
Stabilization by State Statute	1,173,677	-	-	1,173,677
Education	-	5,692,883	870,499	6,563,382
Capital projects	-	-	177,714	177,714
Register of deeds	10,293	-	-	10,293
Tax revaluation	201,460	-	-	201,460
Assigned:				
2020 budget appropriation	259,652	-	-	259,652
Capital projects	-	-	-	-
Unassigned	1,529,178	-	-	1,529,178
Total fund balances	3,174,260	5,692,883	1,048,213	9,915,356
Total liabilities, deferred inflows of resources, and fund balances	$ 3,976,469	$ 5,694,471	$ 1,076,126	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	12,791,270
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	402,981
The net pension liability (assets), total pension liability, and related deferred inflows and outflows of resources are resources related to the County's defined benefit pension plans which are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.	(393,064)
Internal service funds are used by the County to charge costs to other funds. The assets and liabilities are included in the governmental activities.	3,187
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(14,706,765)
Net position of governmental activities	$ 8,012,965

The accompanying notes 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 YEAR ENDED JUNE 30, 2019

	General Fund	Middle School Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	$ 7,181,985	$ -	$ -	$ 7,181,985
Sales tax	2,755,775	-	-	2,755,775
Intergovernmental revenues	1,994,551	2,197,479	226,890	4,418,920
Charges for services	91,719	-	431,581	523,300
Investment earnings	12,681	154,561	1,907	169,149
License and permits	152,095	-	-	152,095
Miscellaneous	16,384	-	-	16,384
Total revenues	12,205,190	2,352,040	660,378	15,217,608
Expenditures				
Current:				
General government	1,592,325	-	-	1,592,325
Public safety	2,499,295	-	-	2,499,295
Human services	1,727,333	-	441,387	2,168,720
Education	2,814,000	-	10,442	2,824,442
Economic development	1,169,444	-	226,890	1,396,334
Culture and recreation	339,550	-	-	339,550
Capital outlay	157,821	4,325,187	377,584	4,860,592
Debt service:				
Principal retirements	958,093	-	-	958,093
Interest and fiscal charges	325,980	-	-	325,980
Total expenditures	11,583,841	4,325,187	1,056,303	16,965,331
Excess (deficiency) of revenues over expenditures	621,349	(1,973,147)	(395,925)	(1,747,723)
Other financing sources (uses)				
Proceeds from sale of capital assets	14,670	-	-	14,670
Issuance of long-term debt	-	8,200,000	-	8,200,000
Transfers in	1,602,459	-	1,664,755	3,267,214
Transfers out	(1,630,785)	(533,970)	(1,120,899)	(3,285,654)
Total other financing sources (uses)	(13,656)	7,666,030	543,856	8,196,230
Net change in fund balances	607,693	5,692,883	147,931	6,448,507
Fund balances, beginning of year	2,566,567	-	900,282	3,466,849
Fund balances, end of year	$ 3,174,260	$ 5,692,883	$ 1,048,213	$ 9,915,356

The accompanying notes 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 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

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

Net change in fund balances - total governmental funds	$	6,448,507
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		4,977,116
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		43,256
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, however, has any effect on net position. This amount is the difference between the issuance of the new bonds and the repayment of installment notes payable and bonds.		(7,241,907)
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.		17,949
Change in net position - governmental activities	$	4,244,921

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

GATES COUNTY, NORTH CAROLINA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues				
Property taxes	$ 6,569,753	$ 6,569,753	$ 7,181,985	$ 612,232
Sales tax	2,557,000	2,557,000	2,755,775	198,775
Intergovernmental revenue	1,917,631	2,109,457	1,994,551	(114,906)
Charges for services	332,702	332,702	91,719	(240,983)
Investment earnings	9,000	9,000	12,657	3,657
License and permits	167,750	168,750	148,160	(20,590)
Miscellaneous	2,000	52,000	16,384	(35,616)
Total revenues	11,555,836	11,798,662	12,201,231	402,569
Expenditures				
Current:				
General government	1,590,588	1,691,485	1,592,325	99,160
Public safety	2,467,827	2,521,137	2,499,295	21,842
Human services	1,883,524	1,943,256	1,727,333	215,923
Education	2,814,000	2,814,000	2,814,000	-
Economic development	1,057,105	1,121,503	969,444	152,059
Culture and recreation	339,550	339,550	339,550	-
Debt service:				
Principal retirements	548,094	958,094	958,093	1
Interest	74,583	325,982	325,980	2
Total expenditures	10,775,271	11,715,007	11,226,020	488,987
Excess of revenues over expenditures	780,565	83,655	975,211	891,556
Other financing sources (uses):				
Proceeds from sale of capital assets	10,075	10,075	14,670	4,595
Transfers in	-	661,399	1,602,459	941,060
Transfers out	(981,860)	(2,070,096)	(1,921,263)	148,833
Appropriated fund balance	191,220	1,314,967	-	(1,314,967)
Total other financing sources (uses)	(780,565)	(83,655)	(304,134)	(220,479)
Net change in fund balances	-	-	671,077	671,077
Fund balances, beginning of year	2,243,229	2,243,229	2,243,229	-
Fund balances, end of year	$ 2,243,229	$ 2,243,229		$ 671,077

Reconciliation to the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance:

Revaluation Fund	201,460
Transit Fund	48,201
Register of Deeds Automation Fund	10,293
	$ 3,174,260

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

ASSETS	Landfill Fund	Water Fund	Totals	Internal Service Fund
CURRENT ASSETS				
Cash and cash equivalents	$ 186,390	$ 2,362,498	$ 2,548,888	$ 3,187
Accounts receivable, net of allowances	13,955	444,696	458,651	-
Due from other governments	-	8,495	8,495	-
Inventory	-	30,935	30,935	-
Total current assets	200,345	2,846,624	3,046,969	3,187
CAPITAL ASSETS				
Nondepreciable	-	4,669,971	4,669,971	-
Depreciable, net of accumulated depreciation	1,677	3,711,043	3,712,720	-
Total noncurrent assets	1,677	8,381,014	8,382,691	-
Total assets	202,022	11,227,638	11,429,660	3,187
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	-	75,975	75,975	-
OPEB related items	-	10,524	10,524	-
Total deferred outflows of resources	-	86,499	86,499	-
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	114,170	126,082	240,252	-
Due to other funds	-	-	-	-
Payroll withholdings	-	2,739	2,739	-
Compensated absences payable	-	30,145	30,145	-
Total current liabilities	114,170	158,966	273,136	-
NONCURRENT LIABILITIES				
Net pension liability	-	98,800	98,800	-
Total OPEB liability	-	540,136	540,136	-
Total noncurrent liabilities	-	638,936	638,936	-
Total liabilities	114,170	797,902	912,072	-
DEFERRED INFLOWS OF RESOURCES				
Pension related items	-	1,698	1,698	-
OPEB related items	-	80,980	80,980	-
Total deferred inflows of resources	-	82,678	82,678	-
NET POSITION				
Investment in capital assets	1,677	8,381,014	8,382,691	-
Unrestricted	86,175	2,052,543	2,138,718	3,187
Total net position	$ 87,852	$ 10,433,557	$ 10,521,409	$ 3,187

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Landfill Fund	Water Fund	Totals	Internal Service Fund
OPERATING REVENUES				
Charges for services	$ 888,978	$ 2,914,972	$ 3,803,950	$ -
Other operating revenues	9,794	319,347	329,141	-
Total operating revenues	898,772	3,234,319	4,133,091	-
OPERATING EXPENSES				
Landfill operations	843,563	-	843,563	-
Water operations	-	1,470,109	1,470,109	-
Sewer Operations	-	8,573	8,573	-
Depreciation	560	205,902	206,462	-
Total operating expenses	844,123	1,684,584	2,528,707	-
Operating income	54,649	1,549,735	1,604,384	-
NON-OPERATING REVENUES				
Investment earnings	8	21,422	21,430	-
Miscellaneous	30,957	-	30,957	-
Total non-operating revenue	30,965	21,422	52,387	-
Income (loss) before transfers	85,614	1,571,157	1,656,771	-
Transfers in	-	500,000	500,000	-
Transfers out	-	(481,560)	(481,560)	-
Change in net position	85,614	1,589,597	1,675,211	-
Net position, beginning of year, restated	2,238	8,843,960	8,846,198	3,187
Net position, end of year	$ 87,852	$ 10,433,557	$ 10,521,409	$ 3,187

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Landfill Fund	Water Fund	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 884,817	$ 2,800,964	$ 3,685,781	$ -
Payments to suppliers	(826,410)	(743,753)	(1,570,163)	-
Payments to employees	-	(382,924)	(382,924)	-
Net cash provided by operating activities	58,407	1,674,287	1,732,694	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	18,440	18,440	-
Collection of interfund receivables	97,018	-	97,018	-
Intergovernmental grants and contributions	30,957	-	30,957	-
Net cash provided by non-capital financing activities	127,975	18,440	146,415	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases and acquisition of capital assets	-	(2,044,345)	(2,044,345)	-
Net cash used in capital and related financing activities	-	(2,044,345)	(2,044,345)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	8	21,422	21,430	-
Net cash provided by investing activities	8	21,422	21,430	-
Net increase in cash and cash equivalents	186,390	(330,196)	(143,806)	-
Cash and cash equivalents, beginning of year	-	2,692,694	2,692,694	3,187
Cash and cash equivalents, end of year	$ 186,390	$ 2,362,498	$ 2,548,888	$ 3,187
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 54,649	$ 1,549,735	$ 1,604,384	$ -
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	560	205,902	206,462	-
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Increase in accounts receivable	(13,955)	(429,088)	(443,043)	-
Increase in due from other governments	-	(4,267)	(4,267)	-
Increase in accounts payable	17,153	119,611	136,764	-
Decrease in accrued payroll withholdings	-	(32,617)	(32,617)	-
Decrease in due to other funds	-	(118,125)	(118,125)	-
Increase in compensated absences payable	-	5,592	5,592	-
Increase in pension related items	-	8,702	8,702	-
Increase in total OPEB liability	-	368,842	368,842	-
Net cash provided by operating activities	$ 58,407	$ 1,674,287	$ 1,732,694	$ -

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 15,520
Total assets	$ 15,520
LIABILITIES	
Accounts Payable	$ 15,520
Total liabilities	$ 15,520

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Gates County, North Carolina (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's significant accounting policies are described below.

A. Reporting Entity

Gates County, North Carolina (the "County"), was founded in 1779 and is located in the northeastern portion of North Carolina. The County has a commissioner/manager form of government with a five-member elected Board of Commissioners comprising the governing body. The County provides the following services to its citizens: regional public health, public safety, regional mental health, social service programs, planning and zoning, cultural and recreational programs, and housing and community development service programs. In addition, inspections, environmental resources, land records, and vital statistics information are provided. Elementary and secondary education is provided by the State through locally elected educational boards with the assistance of the County.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the County and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of their operational and financial relationship with the County. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Unit

The Gates County Alcoholic Beverage Control Board (the "ABC Board") operates retail liquor stores within the County and investigates violations of laws pertaining to retail liquor sales. The five members of the ABC Board's governing board are appointed by the County. The ABC Board is required by State statute to distribute surpluses to the General Fund of the County. Complete separate financial statements for the ABC Board may be obtained at its administrative office:

Gates County ABC Board
PO Box 88
Edenton, North Carolina 27932

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable. The statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the County's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers most revenues to be available if they are collected within 90 days of the end of the current fiscal period, except for property taxes which use a 60 day period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to other long-term liabilities, such as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, individual major funds are reported as separate columns in the fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The County reports the following major governmental funds:

The **General Fund** 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 Property Revaluation Fund is a legally budgeted fund under North Carolina General Statutes, which for reporting purposes is presented in the General Fund.

The **Middle School** fund is used to account for the financial resources used for the acquisition and construction of the County's new middle school.

The County reports the following major enterprise funds:

The **Landfill Fund** accounts for the revenues and expenses related to the provision of solid waste disposal and recycling activities for the citizens of Gates County. The County does not operate a landfill, but transfers solid waste to a regional landfill facility.

The **Water Fund** accounts for the revenues and expenses related to the provision of the water and sewer system within the County.

Additionally, the County reports the following fund types:

The **special revenue funds** are used to account for specific revenues, such as various grants and contributions, which are legally restricted or committed to expenditures for particular purposes.

The **capital projects funds** account for financial resources to be used for the acquisition and construction of major capital projects.

The **internal service fund** is used to account for goods and services provided by one department to other departments of the County. The County has one such fund, the Fleet Management Fund, which is currently inactive.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The **agency funds** are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: Social Services Fund, which accounts for funds held by the County for subsistence needs of specific social service clients; Town of Gatesville Fund, which accounts for taxes collected on behalf of the Town of Gatesville; Drainage District III Fund, which accounts for fees collected on behalf of the third drainage district in the County; and the Emergency Medical Services Fund, which accounts for ambulance fees collected on behalf of the Rescue Squad.

In accounting and reporting for its proprietary operations, the government applies all GASB pronouncements. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which did not conflict with or contradict GASB pronouncements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any inter-fund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

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. 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 enterprise funds include the cost of these goods 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets

Annual appropriated budgets are adopted for all funds. In accordance with State law, the budgets adopted for the enterprise funds are adopted on the modified accrual basis of accounting, and a reconciliation is provided along with the budget schedule to reconcile from the modified accrual basis to the accrual basis. The governmental funds' budgets are adopted on a basis other than accounting principles generally accepted in the United States of America. Budgets are adopted to show use of fund balance as other financing sources for both governmental and proprietary funds, as well as the proprietary funds are budgeted on the modified accrual basis of accounting. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General fund, special revenue funds, and the enterprise funds. During the fiscal year ended June 30, 2019, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules.

All budget appropriations lapse at the end of each year.

E. Deposits and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the County. The County pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Any deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of State or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents.

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The securities of the NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Deposits and Investments (Continued)

General Statue 159-30.1 allows the County to establish an Other Postemployment Benefit (OPEB) Trust managed by the staff of the Department of the State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC and G.S. 159-30(g) allows the County to make contributions to the Trust. The State Treasurer in his discretion may invest the proceeds in equities of certain publicly held companies and long or short term fixed income investments as detailed in G.S. 147-69.2(b)(1-6) and (8). Funds submitted are managed in three different sub-funds, the State Treasurer's Short Term Investment Fund (STIF) consisting of short to intermediate treasuries, agencies and corporate issues authorized by G.S. 147-69.1, the Bond Index Fund (BIF) consisting of high quality debt securities eligible under G.S. 147-69.2(b)(1)-(6), and BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund authorized under G.S 147-69.2(b)(8).

F. Restricted cash and cash equivalents

The County has restricted cash and cash equivalents related to the General – Tax Revaluation Fund and the General – Register of Deeds Automation Fund as their use is restricted per the North Carolina General Statue 153A-150.

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. 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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

H. Allowances

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

I. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as "internal balances."

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Inventories

All inventories are valued at average cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories of the enterprise funds are recorded as expenses when consumed rather than when purchased.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items in both government-wide and fund financial statements.

L. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Buildings	40 years
Furniture and equipment	5-10 years
Vehicles	5 years
Plant and distribution systems	40 years

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one item that qualifies for reporting in this category which occurs in the governmental activities. The County reports a deferred inflow of resources for the property taxes paid in advance of the period they were intended to finance. Additionally, the County reports one item which is reported as a deferred inflow of resources which arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the accrual of ad valorem taxes and intergovernmental revenues which are earned by the County but are not considered available for the liquidation of current expenditures. Additionally, deferred inflows of resources are reported for outstanding lien receivables which are not collected within 90 days of the County's fiscal year-end.

The County also has deferred inflows and outflows related to the recording of changes in its net pension liability – LGERS, net pension liability – ROD, and total pension liability – LEOSSA and its net OPEB liability. Certain changes in the net pension/OPEB liability are recognized as pension or OPEB expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the County's actuary which adjust the net pension/OPEB liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension/OPEB liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in proportion and differences between employer contributions and proportionate share of contributions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension or OPEB expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences

Permanent employees of the County can earn vacation leave at the rate of up to 21 days per year, based on the number of years of service. At termination, employees are paid for any accumulated vacation leave as it is vested once earned. These amounts are paid from the same fund to which the employee's salary is charged. There is no limit on the accumulation of sick leave for the County. Sick leave does not vest with employees and therefore the County does not report a liability for unused sick leave.

O. Long-Term Obligations

In the government-wide financial statements and proprietary fund types fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are accrued and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are expensed in the year of issuance.

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

P. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Equity (Continued)

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash), or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. One component of the restricted fund balance of the General Fund relates to the Stabilization by State Statute (*G.S. 159-8(a)*) which requires total fund balance less the fund balance available for appropriation equals the total amount that must be restricted.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by the County's Board of Commissioners. Approval of a resolution after a formal vote of the County's Board is required to establish a commitment of fund balance. Similarly, the County's Board may only modify or rescind the commitment by formal vote and adoption of a subsequent resolution.

Assigned – Fund balances are reported as assigned when amounts are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The County's Board of Commissioners, through County Ordinance, has expressly delegated to the County Manager the authority to assign funds for particular purposes.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The County reports positive unassigned fund balance only in the general fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Equity (Continued)

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the County's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the County's policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the County has spent) for the acquisition, construction or improvement of those assets.

Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted. As with many counties in the State of North Carolina, the County's deficit in unrestricted net position is due primarily to the portion of the County's outstanding general obligation and installment debt totaling approximately $9.1 million incurred for the Gates County Board of Education (the "school system"). Under North Carolina law, the County is responsible for providing school system capital funding and has done so using a mixture of County funds and general obligation debt. The deficit results because the debt is recorded on the County's financial statements as the issuing government, while the related assets are owned, operated, and recorded in the school system's financial statements.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Q. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and the Register of Deeds' Supplemental Pension Fund (RODSPF) and additions to/deductions from LGERS' and RODSPF's fiduciary net position have been determined on the same basis as they are reported by LGERS and RODSPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, deferred inflows of resources, and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds and net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $14,706,765 difference are as follows:

Installment notes	$	(2,129,692)
Bonds payable		(7,790,000)
Accrued interest payable		(78,076)
Total OPEB liability		(3,877,931)
OPEB related deferred outflows of resources		75,553
OPEB related deferred inflows of resources		(581,401)
Compensated absences (i.e., vacation)		(325,218)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(14,706,765)

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (Continued)

Another element of that reconciliation explains that "the net pension liability (asset), total pension liability and related deferred inflows and outflows of resources related to the County's defined benefit pension plans are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds." The details of this $393,064 difference are as follows:

Total pension liability - Law Enforcement Officers' Special Separation Allowance (LEOSSA) - pension plan	$	(188,078)
Deferred outflows of resources - LEOSSA		33,964
Deferred inflows of resources - LEOSSA		(6,413)
Net pension liability - LGERS		(1,010,982)
Deferred outflows of resources - LGERS		777,424
Deferred inflows of resources - LGERS		(17,378)
Net pension asset - Register of Deeds Retirement Plan		14,864
Deferred outflows of resources - Register of Deeds		4,633
Deferred inflows of resources - Register of Deeds		(1,098)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(393,064)

B. 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 a reconciliation between *net change in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this $4,977,116 difference are as follows:

Capital outlay	$	5,427,195
Depreciation expense		(450,079)
Net adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net position - governmental activities*	$	4,977,116

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of the reconciliation states that "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, however, 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." The details of this $7,241,907 difference are as follows:

Debt service payments on long-term liabilities	$	958,093
Issuance of long-term liabilities		(8,200,000)
Net adjustment to decrease *net change in fund balances - total governmental funds* to arrive at *change in net position - governmental activities*	$	(7,241,907)

Another element of the reconciliation states that "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." The details of this $17,949 difference are as follows:

Compensated absences (i.e., vacation)	$	(46,231)
Change in accrued interest		(44,995)
Net pension liability and related deferred outflows and inflows - LGERS		(69,255)
Total pension liability and related deferred outflows and inflows - LEO		(958)
Net pension asset and related deferred outflows and inflows- ROD		(2,492)
Total OPEB liability		181,880
Net adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net position - governmental activities*	$	17,949

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures in Excess of Appropriations. The budget is officially adopted by the governing body prior to the beginning of its fiscal year, or a resolution authorizing the continuation of necessary and essential expenditures to operate the County will be adopted. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level, within the fund. Transfers of appropriations within a department budget or within a non-departmental expenditure category require only the approval of the County Manager. Transfers of appropriations between departments of less than $5,000, and which do not involve salary or benefit appropriations, can be moved with the approval of the County Manager. Other increases in appropriations in a departmental budget or in a non-departmental expenditure category, require approval of the governing body in the form of amendments to the budget resolution.

The following is a list of the funds and departments which reported expenditures in excess of approved budgets:

General Fund:		
General government - Governing body	$	4,090
Public safety		
Jail		8,149
Medical examiner		7,250
Human services		
Health		515
School Capital Outlay Fund		
Education		10,442

The over expended departments were funded through greater than anticipated revenues and other savings noted in other departments within the funds.

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2019 are summarized as follows:

Statement of Net Position:		
Cash and cash equivalents	$	10,720,428
Restricted cash and cash equivalents		211,753
Fiduciary - agency funds		15,520
	$	10,947,701
Cash deposited with financial institutions	$	3,777,841
Cash deposited with NCCMT		7,169,860
	$	10,947,701

Credit risk. State statutes and the County's policies authorize the County to invest in obligations of the State of North Carolina or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the North Carolina Capital Management Trust (NCCMT); and obligations of other political subdivisions of the state of North Carolina. The County does not have a credit rating policy which provides restrictions or limitations on credit ratings for the County's investments.

As of June 30, 2019, the County had $7,169,860 invested in the NCCMT's cash portfolio which carried a credit rating of AAAm by Standard and Poor's. The NCCMT's cash portfolio is valued using amortized costs. The County has no policy regarding credit risk.

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurement. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Interest Rate Risk: The County does not have a formal investment interest rate policy that manages its exposure to fair value losses arising from increasing interest rates. The County's investments with the NCCMT reported a weighted-average duration of 0.11 years at June 30, 2019.

Custodial credit risk – deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes (G.S. 159-31) require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2019, the County's deposits are insured or collateralized as required by GASB and state statutes.

NOTE 5. RECEIVABLES

Receivables at June 30, 2019, for the County's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Middle School	Landfill	Water	Other Governmental
Receivables:					
Taxes	$ 529,575	$ -	$ -	$ -	$ -
Accounts	27,372	-	201,496	550,214	9,375
Due from other governments	1,234,794	777,237	-	8,495	3,690
Less allowance for uncollectible	(227,039)	-	(187,541)	(105,518)	-
Net total receivables	$ 1,564,702	$ 777,237	$ 13,955	$ 453,191	$ 13,065

NOTE 6. CAPITAL ASSETS

Capital asset activity for the County for the year ended June 30, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Nondepreciable capital assets:					
Land and easements	$ 1,138,007	$ -	$ -	$ -	$ 1,138,007
Construction in progress	1,355,633	4,763,899	-	(289,876)	5,829,656
Total	2,493,640	4,763,899	-	(289,876)	6,967,663
Capital assets, being depreciated:					
Buildings	5,795,252	86,952	-	-	5,882,204
Other improvements	854,170	22,000	-	289,876	1,166,046
Equipment	1,606,211	342,976	(24,546)	-	1,924,641
Vehicles	1,565,843	211,368	(127,106)	-	1,650,105
Total being depreciated	9,821,476	663,296	(151,652)	289,876	10,622,996
Less accumulated depreciation for:					
Buildings	(2,311,952)	(129,297)	-	-	(2,441,249)
Other improvements	(250,831)	(46,165)	-	-	(296,996)
Equipment	(879,117)	(114,102)	24,546	-	(968,673)
Vehicles	(1,059,062)	(160,515)	127,106	-	(1,092,471)
Total	(4,500,962)	(450,079)	151,652	-	(4,799,389)
Total capital assets, being depreciated, net	5,320,514	213,217	-	289,876	5,823,607
Governmental activities capital assets, net	$ 7,814,154	$ 4,977,116	$ -	$ -	$ 12,791,270

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Landfill Fund:				
Capital assets, being depreciated:				
Plant and distribution system	$ 5,595	$ -	$ -	$ 5,595
Total	5,595	-	-	5,595
Less accumulated depreciation for:				
Plant and distribution system	(3,358)	(560)	-	(3,918)
Total	(3,358)	(560)	-	(3,918)
Solid Waste Landfill capital assets, net	$ 2,237	$ (560)	$ -	$ 1,677

	Beginning Balance	Increases	Decreases	Ending Balance
Water Fund:				
Nondepreciable capital assets:				
Land	$ 432,336	$ -	$ -	$ 432,336
Construction in progress	2,281,237	1,956,398	-	4,237,635
Total	2,713,573	1,956,398	-	4,669,971
Capital assets, being depreciated:				
Plant and distribution system	9,467,874	-	-	9,467,874
Furniture and equipment	437,041	62,000	-	499,041
Vehicles	237,220	25,947	-	263,167
Total depreciable assets	10,142,135	87,947	-	10,230,082
Less accumulated depreciation for:				
Plant and distribution system	(5,666,494)	(185,372)	-	(5,851,866)
Furniture and equipment	(437,041)	(4,133)	-	(441,174)
Vehicles	(209,602)	(16,397)	-	(225,999)
Total accumulated depreciation	(6,313,137)	(205,902)	-	(6,519,039)
Total capital assets being depreciated, net	3,828,998	(117,955)	-	3,711,043
Water Fund capital assets, net	$ 6,542,571	$ 1,838,443	$ -	$ 8,381,014

NOTE 6. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	$ 78,014
Public safety	111,651
Human services	91,017
Economic development	138,723
Culture and recreation	30,674
Total depreciation expense - governmental activities	$ 450,079
Business-type activities	
Landfill Fund	$ 560
Water Fund	205,902
Total depreciation expense - business-type activities	$ 206,462

NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2019 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Installment notes payable	$ 2,677,785	$ -	$ (548,093)	$ 2,129,692	$ 551,410
Bonds payable	-	8,200,000	(410,000)	7,790,000	410,000
Net pension liability - LGERS	643,647	588,088	(220,753)	1,010,982	-
Total pension liability - LEOSSA	186,983	27,765	(26,670)	188,078	-
Compensated absences	278,987	227,484	(181,253)	325,218	85,000
Total OPEB liability	4,198,921	8,417	(329,407)	3,877,931	-
Governmental activity Long-term liabilities	$ 7,986,323	$ 9,051,754	$ (1,716,176)	$ 15,321,901	$ 1,046,410
Business-type activities:					
Net pension liability - LGERS	$ 56,050	$ 64,316	$ (21,566)	$ 98,800	$ -
Compensated absences	24,553	26,563	(20,971)	30,145	30,145
Total OPEB liability	222,332	363,685	(45,881)	540,136	-
Business-type activity Long-term liabilities	$ 302,935	$ 454,564	$ (88,418)	$ 669,081	$ 30,145

For governmental funds, compensated absences are liquidated by the General Fund. The net pension liability – LGERS, total pension liability - LEOSSA, and net OPEB liability, are liquidated primarily by the General Fund.

NOTE 7. LONG-TERM DEBT (CONTINUED)

Installment Notes Payable

Installment notes serviced by the County governmental funds are as follows:

Governmental activities:	Balance as of June 30, 2019
$4,460,000 note payable due in semi-annual installments of $216,667 plus interest of 2.91%. The note was issued for the expansion of public school facilities. The payments are due September 21 and March 21, with an original maturity of March 21, 2022.	$ 1,300,001
$1,790,409 note payable due in annual installments of $142,054, plus interest of 2.89%. The note was issued for the construction of the Social Services building. The payments are due on September 22, with the original maturity of September 22, 2025.	829,692
Total outstanding notes payable	$ 2,129,693

The debt service to maturity on the installment notes payable is as follows:

	Principal	Interest	Total
Year Ending June 30,			
2020	$ 551,410	$ 58,656	$ 610,066
2021	554,822	42,633	597,455
2022	558,333	26,512	584,845
2023	128,612	13,442	142,054
2024	132,329	9,725	142,054
2025-2026	204,186	7,867	212,053
Total	$ 2,129,692	$ 158,835	$ 2,288,527

Revenue Bonds – Direct Placements

In July 2018, the County issued direct placement bonds with Sterling National Bank for $8.2 million to be used for the new Central Middle School Project:

Governmental activities:	Balance as of June 30, 2019
$8,200,000 bonds payable due in annual installments of $410,000 plus interest of 3.90%. The bonds were issued for the construction of a new middle school. The payments are due May 1, with an original maturity of May 1, 2038.	$ 7,790,000

NOTE 7. LONG-TERM DEBT (CONTINUED)

The debt service to maturity on the bonds payable is as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 410,000	$ 303,810	$ 713,810
2021	410,000	287,820	697,820
2022	410,000	271,830	681,830
2023	410,000	255,840	665,840
2024	410,000	239,850	649,850
2025-2029	2,050,000	959,400	3,009,400
2030-2034	2,050,000	559,650	2,609,650
2035-2038	1,640,000	159,900	1,799,900
Total	$ 7,790,000	$ 3,038,100	$ 10,828,100

NOTE 8. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2019 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	$ 11,956

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and when payments between funds are made.

Interfund transfers:

Transfer in	Transfer out	Amount
Nonmajor governmental funds	General Fund	$ 1,130,785
Water Fund	General Fund	500,000
		$ 1,630,785
Nonmajor governmental funds	Middle School Fund	$ 533,970
General Fund	Nonmajor governmental funds	$ 1,120,899
General Fund	Water Fund	$ 481,560

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The Middle School Fund reimbursed the School Reserve for construction costs previously funded with eligible sales tax dollars. The Water Fund transferred cash to reimburse the General Fund for contributions made to the Wastewater project in prior years.

NOTE 9. PENSION PLANS

Gates County participates in three defined benefit pension plans: the Local Governmental Employees' Retirement System (LGERS), Law Enforcement Officers Special Separation Allowance, and the Registers of Deeds' Supplemental Pension Fund (RODSPF). Only the LGERS and RODSPF are funded with qualifying trusts and accounted for by the County under GASB Statement No. 68. The LEOSSA is reported in accordance with GASB Statement No. 73. The net pension liability (asset), total pension liability, and related deferred outflows of resources and deferred inflows of resources for the LGERS, LEOSSA, and RODSPF are summarized as follows:

	LGERS	LEOSSA	RODSPF	Total
Net pension asset	$ -	$ -	$ 14,864	$ 14,864
Net pension liability	1,109,782	-	-	1,109,782
Total pension liability	-	188,078	-	188,078
Deferred ouflows of resources related to pensions	853,399	33,964	4,633	891,996
Deferred inflows of resources related to pensions	19,076	6,413	1,098	26,587
Pension expense	311,147	20,828	3,249	335,224

A. Local Governmental Employees' Retirement System

Plan Description. Gates 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.

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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 postretirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Gates 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 Gates County's contractually required contribution rate for the year ended June 30, 2019, was 8.25% of compensation for law enforcement officers and 7.50% 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 Gates County were $233,190 for the year ended June 30, 2019.

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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, 2019, the County reported a liability of $1,109,782 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the County's proportion was 0.046780%, which was an increase of 0.00098% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of $311,147. At June 30, 2019, 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	$ 171,213	$ 5,745
Net difference between projected and actual earnings on pension plan investments	152,340	-
Changes in proportion and differences between County contributions and proportionate share of contributions	2,163	13,331
Changes in plan assumptions	294,493	-
County contributions subsequent to the measurement date	233,190	-
Total	$ 853,399	$ 19,076

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

County contributions made subsequent to the measurement date of $233,190 are reported as deferred outflows of resources and will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:		
2020	$	292,477
2021		187,840
2022		32,599
2023		88,217
Total	$	601,133

Actuarial Assumptions. The total pension liability as of June 30, 2018 was determined by the December 31, 2017 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.50 to 8.10%, including inflation and productivity factor
Investment rate of return	7.0%, 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, 2017 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.

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.0%. This represents a reduction from the discount rate used in the prior year rate of 7.20%. 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.

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 %) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
County's proportionate share of the net pension liability (asset)	$ 2,665,792	$ 1,109,782	$ (190,445)

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 administered by the State of North Carolina. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report is not issued for the Plan.

All full time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2017, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	12
Total	13

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Separation Allowance has no assets accumulated in a trust that meets the criteria, which are outlined in GASB Statement 73 paragraph 4.

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.50 to 7.35%, including inflation and productivity factor
Discount rate	3.64%

The discount rate used to measure the total pension liability is the Standard & Poor's 20-year Municipal Bond High Grade Rate Index. Since the prior measurement date, the discount rate has changed from 3.16% to 3.64% due to a change in the Municipal Bond Rate.

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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid $19,870 as benefits came due for the reporting period.

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

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

At June 30, 2019, the County reported a total pension liability of $188,078. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the County recognized pension expense of $20,828. At June 30, 2019 the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Intflows of Resources
Change in assumptions	$ 6,148	$ 6,413
Difference between expected and actual experience	17,881	-
County benefit payments made subsequent to the measurement date.	9,935	-
Total	$ 33,964	$ 6,413

An amount of $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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized as reductions of pension expense as follows:

Year ending June 30	
2020	$ 4,196
2021	4,196
2022	4,196
2023	4,320
2024	708
Thereafter	-
Total	$ 17,616

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

Changes in the Total Pension Liability. The changes in the total pension liability of the County for the fiscal year ended June 30, 2019 were as follows:

	Total Pension Liability
Balance at June 30, 2018	$ 186,983
Service cost	11,037
Interest	5,595
Difference between expected and actual experience	10,057
Change of assumptions or other inputs	(5,724)
Contributions	(19,870)
Balance at June 30, 2019	$ 188,078

The required schedule of changes in the County's total pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information.

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 3.64%, 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 (2.64%) or 1-percentage-point higher (4.64%) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	$ 200,288	$ 188,078	$ 176,932

NOTE 9. PENSION PLANS (CONTINUED)

C. Register of Deeds' Supplemental Pension Fund

Plan Description. The County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory cost-sharing multiple-employer, 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 Resisters of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were $757 for the year ended June 30, 2019.

NOTE 9. PENSION PLANS (CONTINUED)

C. Register of Deeds' Supplemental Pension Fund (Continued)

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

At June 30, 2019, the County reported an asset of $14,864 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the County's proportion was 0.08974%, which was an increase of 0.00265% from its proportion measured as of June 30, 2017

For the year ended June 30, 2019, the County recognized pension expense of $3,249. At June 30, 2018, 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	$ 131	$ 678
Net difference between projected and actual earnings on pension plan investments	2,369	-
Changes in proportion and differences between County contributions and proportionate share of contributions	677	420
Changes in assumptions	699	-
County contributions subsequent to the measurement date	757	-
Total	$ 4,633	$ 1,098

County contributions made subsequent to the measurement date of $757 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability (asset) in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2020	$ 1,724
2021	(13)
2022	698
2023	369
Total	$ 2,778

NOTE 9. PENSION PLANS (CONTINUED)

C. Register of Deeds' Supplemental Pension Fund (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.50 to 7.75%, including inflation and productivity factor
Investment rate of return	3.75%, 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, 2017 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.

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, 2018 is 3.75%, including inflation.

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

NOTE 9. PENSION PLANS (CONTINUED)

C. Register of Deeds' Supplemental Pension Fund (Continued)

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 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 3.75%, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.75%) or one percentage point higher (4.75%) 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)	$ (11,719)	$ (14,864)	$ (17,515)

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.

D. 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.

NOTE 9. PENSION PLANS (CONTINUED)

D. Supplemental Retirement Income Plan for Law Enforcement Officers (Continued)

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. Additionally, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were $66,472 which consisted of $38,966 from the County and $27,506 from the law enforcement officers.

E. 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 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, 2019 were $26,409, which consisted of $22,674 from the County and $3,735 from the law enforcement officers. The County does not contribute to the plan for other employees.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

Plan Administration and Benefits. The County, as authorized by the County Commission, administers a single-employer defined benefit Postemployment Healthcare Benefits Plan (the "PHCB Plan"). The PHCB Plan is administered by the County management, under the direction of the County's Board of Commissioners. The County will provide, at its expense, medical insurance for all full time employees who retire with unreduced benefits from the North Carolina Local Governmental Employees' Retirement System (NCLGERS). Employees who are retiring with at least 20 years of Gates County service may continue to participate in the County's health insurance plan by paying the full premium amount of the dependent coverage until the employee or dependent reach 65, whichever occurs first. Coverage will cease when the retiree is eligible for Medicare.

The County's Board of Commissioners established and may amend the benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and a separate report was not issued for the PHCB Plan.

Plan Membership. Membership of the PHCB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Active participants	86
Retirees and beneficiaries currently receiving benefits	12
Total	98

Contributions. The Board of Commissioners has elected to fund the PHCB plan on a "pay as you go" basis. Plan members, once retired, contribute to the plan based on number of years of creditable service. Per a County resolution, the County is required to contribute the current year benefit costs of the Plan which are not paid by the retiree. For the year ended June 30, 2019, the County contributed $70,964 for the pay as you go benefits for the PHCB Plan.

Total OPEB Liability of the County

The County's total OPEB liability was measured as of June 30, 2018, as determined by an actuarial valuation as of June 30, 2017.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial assumptions. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount Rate:	3.89%
Healthcare Cost Trend Rate:	7.50% to 5.00%, Ultimate Trend in 2023 (Pre-Medicare)
	5.50% to 5.00%, Ultimate Trend in 2020 (Medicare)
Inflation Rate:	2.50%
Salary increase:	3.50% to 7.35% (LEO) or 7.75% (other), including inflation
Participation rate:	20% to 100%, depending on length of service

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using scale MP-2015.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period 2010-2014.

Discount rate. The discount rate used to measure the total OPEB liability was 3.89%, the rate was increased from the discount rate of 3.56% which was used for the prior measurement period. This rate was determined using an index rate of 20-year, tax-exempt general obligation municipal bonds with an average rating of AA or higher–which was 3.89% as determined by the Bond Buyer 20-Bond GO Index Rate as of June 30, 2019.

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NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability of the County. The changes in the components of the total OPEB liability of the County for the year ended June 30, 2019, were as follows:

	Total OPEB Liability
Balances at 6/30/18	$ 4,421,253
Changes for the year:	
Service cost	210,776
Interest	156,015
Differences between expected and actual experience	5,311
Assumption Changes	(297,013)
Benefit payments	(78,275)
Net changes	(3,186)
Balances at 6/30/19	$ 4,418,067

The required schedule of changes in the County's total OPEB liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about the total OPEB liability.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89%) or 1-percentage-point higher (4.89%) than the current discount rate:

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	$ 5,407,363	$ 4,418,067	$ 3,661,660

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5% decreasing to 4.0%) or 1-percentage-point higher (8.5% decreasing to 6.0%) than the current healthcare cost trend rates:

	1% Decrease (6.5% to 4.0%)	Current (7.5% to 5.0%)	1% increase (8.5% to 6.0%)
Total OPEB liability	$ 3,562,539	$ 4,418,067	$ 5,571,156

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2019 and the current sharing pattern of costs between employer and inactive employees.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the County recognized OPEB expense of $275,021. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 15,383	$ -
Changes in assumptions	-	662,381
Benefits paid subsequent to measurement period	70,694	
Total	$ 86,077	$ 662,381

Benefits paid by the County subsequent to the measurement date of $70,694 are reported as deferred outflows of resources and will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2019	$ (95,811)
2020	(95,811)
2021	(95,811)
2022	(95,811)
2023	(95,811)
Thereafter	(167,943)
Total	$ (646,998)

NOTE 11. 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 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 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.

NOTE 11. RISK MANAGEMENT (CONTINUED)

Litigation. The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

Grant Contingencies. The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the County believes such, disallowances, if any, will not be significant.

Construction Commitments. The County has several active construction projects as of June 30, 2019 with contractual commitments on the uncompleted contract of approximately $7,065,752.

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NOTE 12. 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. None of the participating governments have any equity interest in the Perquimans-Chowan-Gates Regional Landfill, so none was reflected in the County's financial statements at June 30, 2019. 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 $10,287 for operating costs.

The County participates in the Albemarle Regional Solid Waste Management Authority (ARSWMA). The County participates with eight other counties to operate the Albemarle Solid Waste Management Authority. Each participating government appoints two members to a 14-member board. The County has an ongoing financial responsibility for the joint venture because the Albemarle Regional Solid Waste Management Authority's existence depends on the participating governments continued funding. None of the participating governments have any equity interest in the Albemarle Regional Solid Waste Management Authority, so none was reflected in the County's financial statements at June 30, 2019. Complete financial statements for the Albemarle Regional Solid Waste Management Authority can be obtained from the Albemarle Regional Solid Waste Management Authority at Post Office Box 189, Elizabeth City, NC 27909.

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 ARSWMA 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, 2019. In accordance with the intergovernmental agreement between the participating governments, the County appropriated $98,100 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.

NOTE 12. JOINT VENTURES (CONTINUED)

The County participates in a joint venture with seven other counties to operate Albemarle Regional Health Services. The area Board of Commissioners appoints the 15 member governing board. 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, 2019. In accordance with the intergovernmental agreement between the participating governments, the County appropriated $116,338 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 13. 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 $10,168 to the Commission during the fiscal year ended June 30, 2019. 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 though satellite offices. The County contributed $30,515 to this organization during the fiscal year ended June 30, 2019.

NOTE 14. RESTATEMENTS

The County has determined restatements to beginning net position of business-type activities and the Landfill Fund were required to restate beginning net position for July and August 2018 billings which were originally accrued as of June 30, 2018 unbilled revenues. The landfill charges are billed in advance of service being provided and as such were accrued in error in the prior year. The effect of the restatements are as follows:

	Landfill Fund	Business-type Activities
Net Position, as previously reported	$ 147,297	$ 8,991,257
Restatement for revenue recognition	(145,059)	(145,059)
Net Position, as restated	$ 2,238	$ 8,846,198

REQUIRED SUPPLEMENTARY INFORMATION

GATES COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
OPEB RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE COUNTY'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
JUNE 30, 2019

	2019	2018
Total OPEB liability		
Service cost	$ 210,776	$ 242,984
Interest on total OPEB liability	156,015	138,268
Difference between expected and actual experience	5,311	14,055
Changes of assumptions and other inputs	(297,013)	(526,205)
Benefit payments	(78,275)	(82,316)
Net change in total OPEB liability	(3,186)	(213,214)
Total OPEB liability - beginning	4,421,253	4,634,467
Total OPEB liability - ending	$ 4,418,067	$ 4,421,253
Covered-employee payroll	$ 3,074,546	$ 3,074,546
Total OPEB liability as a percentage of covered-employee payroll	143.7%	143.8%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

GATES COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
JUNE 30, 2019

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2019	2018
Beginning balance of the total pension liability	$ 186,983	$ 167,183
Service Cost	11,037	10,060
Interest on the total pension liability	5,595	6,070
Difference between expected and actual experience	10,057	14,296
Changes of assumptions or other inputs	(5,724)	9,244
Benefit payments	(19,870)	(19,870)
Ending balance of the total pension liability	$ 188,078	$ 186,983

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

GATES COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAST TWO FISCAL YEARS

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2019	2018
Total pension liability	$ 188,078	$ 186,983
County's covered-employee payroll	$ 473,835	$ 455,307
Total pension liability as a percentage of covered-employee payroll	39.69%	41.07%

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

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

GATES COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST FIVE FISCAL YEARS*

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	2019	2018	2017	2016	2015
County's proportion of the net pension liability (asset) (%)	0.04678%	0.04580%	0.04620%	0.04720%	-0.45000%
County's proportion of the net pension liability (asset) ($)	$ 1,109,782	$ 699,697	$ 980,519	$ 211,696	$ (265,563)
County's covered payroll	$ 2,896,549	$ 2,750,420	$ 2,702,668	$ 2,573,301	$ 2,404,383
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	38.31%	25.44%	36.28%	8.23%	-11.04%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%

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

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

GATES COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
LAST FIVE FISCAL YEARS

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	2019	2018	2017	2016	2015
Contractually required contribution	$ 233,190	$ 221,586	$ 202,740	$ 182,772	$ 186,050
Contributions in relation to the contractually required contribution	233,190	221,586	202,740	182,772	186,050
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
County's covered payroll	$ 3,008,903	$ 2,896,549	$ 2,750,420	$ 2,702,668	$ 2,573,301
Contributions as a percentage of covered payroll	7.75%	7.65%	7.37%	6.76%	7.23%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Method and assumptions used in calculations of actuarially determined contributions **:** The actuarially determined contribution rates in the schedule of contributions are calculated as of December 31, one year prior to the end of the fiscal year in which contributions are reported.

GATES COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST FIVE FISCAL YEARS*

REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND

	2019	2018	2017	2016	2015
County's proportion of the net pension asset (%)	0.08974%	0.08709%	0.09573%	0.09429%	0.99820%
County's proportion of the net pension liability (asset) ($)	$ (14,864)	$ (14,865)	$ (17,898)	$ (21,851)	$ (22,616)
County's covered payroll	$ 69,546	$ 42,450	$ 41,206	$ 41,206	$ 43,333
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-21.37%	-35.02%	-43.44%	-53.03%	-52.19%
Plan fiduciary net position as a percentage of the total pension liability	153.31%	153.77%	160.17%	197.29%	193.88%

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

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

GATES COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
LAST FIVE FISCAL YEARS

REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND

	2019	2018	2017	2016	2015
Contractually required contribution	$ 757	$ 768	$ 757	$ 782	$ 755
Contributions in relation to the contractually required contribution	757	768	757	782	755
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
County's covered-employee payroll	$ 73,800	$ 69,546	$ 42,450	$ 42,242	$ 41,206
Contributions as a percentage of covered-employee payroll	1.03%	1.10%	1.78%	1.85%	1.83%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Method and assumptions used in calculations of actuarially determined contributions **:** The actuarially determined contribution rates in the schedule of contributions are calculated as of December 31, one year prior to the end of the fiscal year in which contributions are reported.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Emergency Telephone System Fund-accounts for revenues from E-911 subscriber fees and wireless 911 fees and expenditures associated with the purchase and maintenance of emergency communications equipment for the enhanced 911 computer aided dispatch system.

Local Fire Districts Fund-accounts for the collection of special fire district taxes that are returned quarterly to the fire districts on a budgeted basis.

Housing Rehab Fund-accounts for the construction and repair of disaster and recovered homes in the County.

Capital Project Funds

Old Courthouse Restoration Fund-accounts for restricted funds received from installment notes and intergovernmental grants for the restoration of the County's historic courthouse.

School Capital Outlay Fund-accounts for the restricted revenues which are restricted to use on the school district improvements. The funds will be used on future capital projects for the school district.

GATES COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds			Capital Project Fund		Total
ASSETS	Emergency Telephone System	Fire Protection	Housing Rehab	Old Courthouse Restoration Project	School Capital Outlay Project	Nonmajor Governmental Funds
Cash and cash equivalents	$ -	$ 10,748	$ -	$ 181,814	$ 870,499	$ 1,063,061
Accounts receivable	9,217	-	158	-	-	9,375
Due from other governments	3,690	-	-	-	-	3,690
Total assets	$ 12,907	$ 10,748	$ 158	$ 181,814	$ 870,499	$ 1,076,126
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued liabilities	$ 951	$ 10,748	$ 158	$ 4,100	$ -	$ 15,957
Due to other funds	11,956	-	-	-	-	11,956
Total liabilities	12,907	10,748	158	4,100	-	27,913
FUND BALANCES						
Restricted:						
Capital projects	-	-	-	177,714	-	177,714
Education	-	-	-	-	870,499	870,499
Total fund balances	-	-	-	177,714	870,499	1,048,213
Total liabilities and fund balances	$ 12,907	$ 10,748	$ 158	$ 181,814	$ 870,499	$ 1,076,126

GATES COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds			Capital Project Funds		Total
	Emergency Telephone System	Fire Protection	Housing Rehab	Old Courthouse Restoration Project	School Capital Outlay Project	Nonmajor Governmental Funds
REVENUES						
Charges for services	$ 110,600	$ 250,981	$ -	$ 70,000	$ -	$ 431,581
Intergovernmental revenues	-	-	226,890	-	-	226,890
Investment earnings	1,907	-	-	-	-	1,907
Total revenues	112,507	250,981	226,890	70,000	-	660,378
EXPENDITURES						
Public safety	190,406	250,981	-	-	-	441,387
Education	-	-	-	-	10,442	10,442
Economic development	-	-	226,890	-	-	226,890
Capital outlay	-	-	-	377,584	-	377,584
Total expenditures	190,406	250,981	226,890	377,584	10,442	1,056,303
Deficiency of revenues over expenditures	(77,899)	-	-	(307,584)	(10,442)	(395,925)
OTHER FINANCING SOURCES (USES)						
Transfers in	12,167	-	-	484,193	1,168,395	1,664,755
Transfers out	-	-	-	-	(1,120,899)	(1,120,899)
Total other financing sources (uses)	12,167	-	-	484,193	47,496	543,856
Net change in fund balances	(65,732)	-	-	176,609	37,054	147,931
FUND BALANCES, beginning of year	65,732	-	-	1,105	833,445	900,282
FUND BALANCES, end of year	$ -	$ -	$ -	$ 177,714	$ 870,499	$ 1,048,213

GATES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Ad valorem taxes:				
Property taxes	$ 6,569,753	$ 6,569,753	$ 7,181,985	$ 612,232
Total ad valorem taxes	6,569,753	6,569,753	7,181,985	612,232
Sales tax:				
Local option sales tax	2,557,000	2,557,000	2,755,775	198,775
Intergovernmental revenues:				
Beer and wine tax	52,100	52,100	50,737	(1,363)
Federal and State grants	1,860,531	2,052,357	1,938,299	(114,058)
ABC Revenue	5,000	5,000	5,515	515
Total intergovernmental revenues	1,917,631	2,109,457	1,994,551	(114,906)
Charges for services:				
Other charges	332,702	332,702	91,719	(240,983)
Total charges for services	332,702	332,702	91,719	(240,983)
Investment earnings	9,000	9,000	12,657	3,657
Licenses, permits and fees:				
Privilege licenses	166,150	167,150	146,907	(20,243)
Franchise fees	1,600	1,600	1,253	(347)
Total licenses, permits and fees	167,750	168,750	148,160	(20,590)
Miscellaneous revenues:				
Other	2,000	52,000	16,384	(35,616)
Total miscellaneous revenues	2,000	52,000	16,384	(35,616)
Total revenues	11,555,836	11,798,662	12,201,231	402,569

continued

GATES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures				
Current:				
General Government:				
Governing body	86,485	60,421	64,511	(4,090)
Board of elections	129,583	137,546	131,093	6,453
Finance and administrative services	424,737	468,812	450,122	18,690
Customer service	24,850	53,483	28,553	24,930
Tax administration	347,392	320,875	301,702	19,173
Court facilities	20,000	20,970	20,970	-
Legal	30,000	18,000	15,200	2,800
Register of deeds	125,030	125,135	123,736	1,399
Buildings and grounds	402,511	486,243	456,438	29,805
Total	1,590,588	1,691,485	1,592,325	99,160
Public Safety:				
Sheriff	1,045,553	990,110	971,069	19,041
Emergency management	385,992	480,799	476,864	3,935
Jail	267,000	281,000	289,149	(8,149)
Fire protection	83,250	83,250	80,295	2,955
Building inspector	181,745	172,633	171,920	713
Medical examiner	9,000	15,000	22,250	(7,250)
Rescue squad	410,000	413,058	413,058	-
Animal control	85,287	85,287	74,690	10,597
Total	2,467,827	2,521,137	2,499,295	21,842
Human Services:				
Health	146,338	146,338	146,853	(515)
Social services administration	1,374,549	1,386,875	1,292,151	94,724
Special assistance for adults	122,000	122,000	98,201	23,799
Medical assistance	5,000	5,000	3,339	1,661
Special service services	147,074	194,480	99,876	94,604
Special appropriations	88,563	88,563	86,913	1,650
Total	1,883,524	1,943,256	1,727,333	215,923
Education:				
Current expenditures	2,814,000	2,814,000	2,814,000	-
Total	2,814,000	2,814,000	2,814,000	-
Economic Development:				
Planning and zoning	134,477	130,409	120,223	10,186
Soil and water conservation	102,649	167,214	105,336	61,878
Cooperative extension service	265,696	269,597	241,596	28,001
GITS	554,283	554,283	502,289	51,994
Total	1,057,105	1,121,503	969,444	152,059

continued

GATES COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Culture and Recreation:				
Libraries	98,100	98,100	98,100	-
Recreation	241,450	241,450	241,450	-
Total	339,550	339,550	339,550	-
Debt Service:				
Principal	548,094	958,094	958,093	1
Interest	74,583	325,982	325,980	2
Total	622,677	1,284,076	1,284,073	3
Total expenditures	10,775,271	11,715,007	11,226,020	488,987
Excess of revenues over expenditures	780,565	83,655	975,211	891,556
Other financing sources (uses)				
Proceeds from sale of capital assets	10,075	10,075	14,670	4,595
Transfers in	-	661,399	1,602,459	941,060
Transfers out	(981,860)	(2,070,096)	(1,921,263)	148,833
Appropriated fund balance	191,220	1,314,967	-	(1,314,967)
Total other financing sources (uses)	(780,565)	(83,655)	(304,134)	(220,479)
Net change in fund balances	-	-	671,077	671,077
Fund balance, beginning of year	2,243,229	2,243,229	2,243,229	-
Fund balance, end of year	$ 2,243,229	$ 2,243,229		$ 671,077

Reconciliation to GAAP statements:	
Beginning fund balance, Register of Deed Automation Fund	6,334
Change in fund balance in Register of Deed Automation Fund	3,959
Beginning fund balance, Capital Improvement Program Fund	103,598
Change in fund balance in Capital Improvement Program Fund	(103,598)
Beginning fund balance, Transit Fund	48,201
Beginning fund balance, Revaluation Fund	165,205
Change in fund balance in Revaluation Fund	36,255
Fund balance, General Fund	$ 3,174,260

GATES COUNTY, NORTH CAROLINA

REGISTER OF DEED AUTOMATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Permits and fees	$ 5,000	$ 5,000	$ 3,935	$ (1,065)
Investment earnings	-	-	24	24
Total revenues	5,000	5,000	3,959	(1,041)
Expenditures				
General government				
Capital outlay	5,000	5,000	-	5,000
Total expenditures	5,000	5,000	-	5,000
Net change in fund balances	-	-	3,959	3,959
Fund balance, beginning of year	6,334	6,334	6,334	-
Fund balance, end of year	$ 6,334	$ 6,334	$ 10,293	$ 3,959

GATES COUNTY, NORTH CAROLINA

CAPITAL IMPROVEMENT PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures				
Education	$ 200,000	$ 200,000	$ 200,000	$ -
General government				
Capital outlay	145,605	199,648	157,821	41,827
Total expenditures	345,605	399,648	357,821	41,827
Other financing sources				
Transfers in	345,605	399,648	254,223	145,425
Net change in fund balances	-	-	(103,598)	(103,598)
Fund balance, beginning of year	103,598	103,598	103,598	-
Fund balance, end of year	$ 103,598	$ 103,598	$ -	$ (103,598)

GATES COUNTY, NORTH CAROLINA

REVALUATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures				
General Government				
Revaluation	$ -	$ -	$ -	$ -
Total expenditures	-	-	-	-
Other financing sources (uses)				
Transfers in	36,255	36,255	36,255	-
Increase in fund balance	(36,255)	(36,255)	-	36,255
Total other financing sources (uses)	-	-	36,255	36,255
Net change in fund balances	-	-	36,255	36,255
Fund balance, beginning of year	103,597	103,597	165,205	61,608
Fund balance, end of year	$ 103,597	$ 103,597	$ 201,460	$ 97,863

GATES COUNTY, NORTH CAROLINA
EMERGENCY TELEPHONE SYSTEM FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 101,496	$ 101,496	$ 110,600	$ 9,104
Investment earnings	-	-	1,907	1,907
Total revenues	101,496	101,496	112,507	11,011
EXPENDITURES				
Public safety	195,030	195,030	190,406	4,624
Deficiency of revenues over expenditures	(93,534)	(93,534)	(77,899)	15,635
OTHER FINANCING SOURCES				
Transfers in	-	-	12,167	12,167
Appropriation of fund balance	93,534	93,534	-	(93,534)
Total other financing sources	93,534	93,534	12,167	(81,367)
Net change in fund balances	-	-	(65,732)	(65,732)
FUND BALANCE, beginning of year	65,732	65,732	65,732	-
FUND BALANCE, end of year	$ 65,732	$ 65,732	$ -	$ (65,732)

GATES COUNTY, NORTH CAROLINA
FIRE PROTECTION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Fire protection fees	$ 260,000	$ 260,000	$ 250,981	$ (9,019)
Total revenues	260,000	260,000	250,981	(9,019)
EXPENDITURES				
Public safety	260,000	260,000	250,981	9,019
Total expenditures	260,000	260,000	250,981	9,019
Net change in fund balances	-	-	-	-
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	$ -	$ -	$ -	$ -

GATES COUNTY, NORTH CAROLINA
SCHOOL CAPITAL OUTLAY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
EXPENDITURES				
Education	$ -	$ -	$ 10,442	$ (10,442)
Deficiency of revenues over expenditures	-	-	(10,442)	(10,442)
OTHER FINANCING SOURCES (USES)				
Transfers in	600,000	600,000	1,168,395	568,395
Transfers out	-	-	(1,120,899)	(1,120,899)
Increase in fund balance	(600,000)	(600,000)	-	600,000
Net change in fund balances	-	-	47,496	47,496
Net change in fund balances	-	-	37,054	37,054
FUND BALANCE, beginning of year	833,445	833,445	833,445	-
FUND BALANCE, end of year	$ 833,445	$ 833,445	$ 870,499	$ 37,054

GATES COUNTY, NORTH CAROLINA
OLD COURTHOUSE RESTORATION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BASIS) PROJECT LIFE AS OF JUNE 30, 2019

	Project	Actual		
	Authorization	Prior Years	Current Year	Total
REVENUES				
Miscellaneous donations	$ 70,000	$ -	$ 70,000	$ 70,000
Total revenues	70,000	-	70,000	70,000
EXPENDITURES				
Old courthouse restoration	1,124,193	553,895	377,584	931,479
Total expenditures	1,124,193	553,895	377,584	931,479
Deficiency of revenues over expenditures	(1,054,193)	(553,895)	(307,584)	1,001,479
OTHER FINANCING SOURCES				
Transfers in	1,054,193	555,000	484,193	1,039,193
Total other financing sources	1,054,193	555,000	484,193	1,039,193
Net change in fund balance	$ -	$ 1,105	176,609	$ 2,040,672
FUND BALANCE, beginning of year			1,105	
FUND BALANCE, end of year			$ 177,714	

GATES COUNTY, NORTH CAROLINA
MIDDLE SCHOOL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Project Authorization	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	$ 2,500,000	$ -	$ 2,197,479	$ 2,197,479
Investment earnings	-	-	154,561	154,561
Total revenues	2,500,000	-	2,352,040	2,352,040
EXPENDITURES				
Capital outlay	10,700,000	-	4,325,187	4,325,187
Deficiency of revenues over expenditures	(8,200,000)	-	(1,973,147)	(1,973,147)
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	8,200,000	-	8,200,000	8,200,000
Transfers out	-	-	(533,970)	(533,970)
Total other financing sources (uses)	8,200,000	-	7,666,030	7,666,030
Net change in fund balances	$ -	$ -	5,692,883	$ 5,692,883
FUND BALANCE, beginning of year			-	
FUND BALANCE, end of year			$ 5,692,883	

GATES COUNTY, NORTH CAROLINA
LANDFILL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION-BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Transfer fees	$ 950,400	$ 950,400	$ 888,978	$ (61,422)
Intergovernmental	13,000	13,000	786	(12,214)
Other operating	21,000	21,000	39,965	18,965
Investment earnings	40	40	8	(32)
Total revenues	984,440	984,440	929,737	(54,703)
EXPENDITURES				
Administration	984,440	984,440	843,563	140,877
Total expenditures	984,440	984,440	843,563	140,877
Net change in net position	$ -	$ -	86,174	$ (195,580)
Adjustments to full accrual:				
Depreciation expense			(560)	
Change in net position - GAAP Basis			$ 85,614	

GATES COUNTY, NORTH CAROLINA
WATER FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION-BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 1,118,196	$ 1,118,196	$ 1,135,437	$ 17,241
Investment earnings	5,000	5,000	21,422	16,422
Miscellaneous	48,000	48,000	319,347	271,347
Total revenues	1,171,196	1,171,196	1,476,206	305,010
EXPENDITURES				
Water operations	1,082,196	1,384,436	1,086,973	297,463
Sewer operations	94,000	92,000	8,573	83,427
Total expenditures	1,176,196	1,476,436	1,095,546	380,890
Deficiency of revenues over expenditures	(5,000)	(305,240)	380,660	685,900
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	3,000	3,000	-	(3,000)
Transfers out	-	(500,000)	(981,560)	(481,560)
Appropriation of fund balance	2,000	802,240	-	(802,240)
Total other financing sources	5,000	305,240	(981,560)	(1,286,800)
Net change in fund balance	$ -	$ -	(600,900)	$ (600,900)

Adjustments to full accrual:	
Capital assets paid for from Waste Water Treatment Capital Project Fund	1,956,398
Change in total OPEB liability and related deferrals	(8,702)
Change in net pension liability and related deferrals	(368,842)
Change in compensated absences	(5,592)
Deprecation expense	(205,902)
Change in net position - Waste Water Treatment Capital Project	823,137
Change in net position - GAAP Basis	$ 1,589,597

GATES COUNTY, NORTH CAROLINA
WASTE WATER TREATMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BASIS) PROJECT LIFE AS OF JUNE 30, 2019

	Project Authorization	Actual		
		Prior Years	Current Year	Total
REVENUES				
Restricted intergovernmental	$ 2,150,000	$ 350,000	$ 1,779,535	$ 2,129,535
Total expenditures	2,150,000	350,000	1,779,535	2,129,535
EXPENDITURES				
Capital outlay	$ 5,769,870	$ 2,686,097	$ 1,956,398	$ 4,642,495
Total expenditures	5,769,870	2,686,097	1,956,398	4,642,495
Deficiency of revenues over expenditures	(3,619,870)	(2,336,097)	(176,863)	(2,512,960)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,619,870	2,453,466	1,000,000	3,453,466
Total other financing sources (uses)	3,619,870	2,453,466	1,000,000	3,453,466
Net change in fund balance	$ -	$ 117,369	823,137	$ 940,506
FUND BALANCE, beginning of year			117,369	
FUND BALANCE, end of year			$ 940,506	

GATES COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2019

ASSETS	Social Services Fund	Town of Gatesville Agency Fund	Drainage Districts Agency Fund	Total
Cash	$ 651	$ 14,815	$ 54	$ 15,520
Total assets	$ 651	$ 14,815	$ 54	$ 15,520
LIABILITIES				
Due to others	$ 651	$ 14,815	$ 54	$ 15,520
Total liabilities	$ 651	$ 14,815	$ 54	$ 15,520

GATES COUNTY, NORTH CAROLINA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Social Services				
ASSETS				
Cash	$ 198	$ 453	$ -	$ 651
Total assets	$ 198	$ 453	$ -	$ 651
LIABILITIES				
Due to others	$ 198	$ 453	$ -	$ 651
Total liabilities	$ 198	$ 453	$ -	$ 651
Town of Gatesville				
ASSETS				
Cash	$ 3,304	$ 65,699	$ (54,188)	$ 14,815
Total assets	$ 3,304	$ 65,699	$ (54,188)	$ 14,815
LIABILITIES				
Due to others	$ 3,304	$ 65,699	$ (54,188)	$ 14,815
Total liabilities	$ 3,304	$ 65,699	$ (54,188)	$ 14,815
Drainage Districts				
ASSETS				
Cash	$ 30	$ 24	$ -	$ 54
Total assets	$ 30	$ 24	$ -	$ 54
LIABILITIES				
Due to others	$ 30	$ 24	$ -	$ 54
Total liabilities	$ 30	$ 24	$ -	$ 54

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2019

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	$ -	$ 7,225,132	$ 6,999,523	$ 225,609
2017-2018	254,082	347	175,609	78,820
2016-2017	91,860	492	45,001	47,351
2015-2016	40,607	-	7,433	33,174
2014-2015	31,249	-	3,532	27,717
2013-2014	31,709	-	2,858	28,851
2012-2013	30,988	-	2,067	28,921
2011-2012	24,105	-	769	23,336
All- prior	63,292	-	27,496	35,796
	$ 567,892	$ 7,225,971	$ 7,264,288	529,575
	Less: allowance for uncollectible accounts - General Fund			(227,039)
	Ad valorem taxes receivable - net			$ 302,536

Reconciliation to revenues:

Ad valorem taxes - General Fund	$ 7,181,985
Reconciling items:	
Less 60 day collections	(39,098)
Interest and penalties	(56,593)
Miscellaneous adjustments	177,994
Total collections and credits	$ 7,264,288

GATES COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
JUNE 30, 2019

	County - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	$ 948,985,464	0.0076	$ 7,212,290	$ 6,416,554	$ 795,736
Discoveries:					
Current year tax	1,689,868	0.0076	12,843	12,843	-
Penalties	-		56,593	51,202	5,391
Total	950,675,332		7,281,726	6,480,599	801,127
Adjustments	(11,929,403)	0.0076	(90,663)	(90,663)	-
Total property valuation	$ 938,745,929				
Net levy			7,191,062	6,389,935	801,127
Uncollected taxes at June 30, 2019			(225,609)	(225,609)	-
Current year's taxes collected			$ 6,965,453	$ 6,164,326	$ 801,127
Current levy collection percentage			96.86%	96.47%	100.00%

COMPLIANCE SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S 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 financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gates County, North Carolina (the "County") as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 24, 2020. Our report includes a reference to other auditors who audited the financial statements of the Gates County ABC Board, as described in our report on the County's financial statements. The financial statements of the Gates County ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as items 2019-001, 2019-002, and 2019-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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.

Gates County, North Carolina's Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 24, 2020

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE 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 (the "County") 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 programs for the year ended June 30, 2019. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the 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 the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the 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 the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 24, 2020

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE 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 (the "County") 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 state programs for the year ended June 30, 2019. The County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 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 state program occurred. An audit includes examining, on a test basis, evidence about the 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 the County's compliance.

Opinion on Each Major State Program

In our opinion, the 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, 2019.

Report on Internal Control Over Compliance

Management of the 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 the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 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 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 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 24, 2020

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2019

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Grantor Number	Expenditures Federal	Expenditures State
Federal Awards:				
U.S. Department of Agriculture				
Passed through North Carolina Department of Health and Human Services				
Supplemental Nutrition Assistance Program:				
SNAP Administration	10.561	WCA375	$ 176,420	$ -
Supplemental Nutrition Assistance Program Cluster			176,420	-
Total U.S. Department of Agriculture			**176,420**	**-**
U.S. Department of Transportation:				
Passed through North Carolina Department of Transportation				
Formula Grants for Rural Areas	20.509	19-CT-067	97,282	6,079
Federal Transit - EDTAP Operating	20.513	19-ED-067	39,999	-
Federal Transit - Capital	20.526	19-39-067S	70,336	8,792
Total Federal Transit Cluster			110,335	8,792
Total U.S. Department of Transportation			**207,617**	**14,871**
U.S. Department of Homeland Security				
Passed through North Carolina Department of Crime Control and Public Safety				
Homeland Security Grant Program (HSGP)	97.067	EMW-2018-SS-00053	56,794	-
Homeland Security Grant Program (HSGP)	97.067	EMW-2018-SS-00053	10,000	-
Homeland Security Grant Program (HSGP)	97.067	EMW-2017-SS-00085-S01	4,042	-
			70,836	-
Hazardous Material Emergency Preparedness Grant (HMEP)	20.703	HM-HMP-0544-16-01-00	7,750	-
Emergency Management Performance Grant	97.042	EMA-2018-EP-00002-S01	16,801	-
Emergency Management Performance Grant	97.042	EMA-2018-EP-00007-S01	20,625	-
			37,426	-
Total U.S. Department of Homeland Security			**116,012**	**-**
U.S. Department of Health and Human Services				
Passed through North Carolina Department of Health and Human Services				
Child Care Development Cluster:				
Child Care Development Fund - Administration	93.596	WCA375	62,392	
Total Child Care Development Cluster			62,392	-
Temporary Assistance for Needy Families:				
TANF - Work First Administration	93.558	WCA375	30,449	-
TANF - Work First Service	93.558	WCA375	66,966	-
Total Temporary Assistance for Needy Families Cluster			97,415	-
Foster Care Program:				
Foster Care Title IV-E	93.658	WCA375	3,918	3,035
F/C At Risk Maximization	93.658	WCA375	2,103	-
Total Foster Care			6,021	3,035
Medicaid:				
Adult Care Home Case Management	93.778	WCA375	5,695	458
State County Special Assistance	93.778	WCA375	19,061	-
Medical Assistance - Administration	93.778	WCA375	369,448	-
Medical Transportation Services	93.778	WCA375	32,213	-
Total Medicaid Cluster			426,417	458
Social Services Block Grant:				
Social Services Block Grant	93.667	WCA375	39,686	-
Social Services Block Grant - Family Planning	93.667	WCA375	1,599	-
Social Services Block Grant - Other Services	93.667	WCA375	42,565	-
Total Social Services Block Grant			83,849	-
Family Preservation	93.556		62	-
Low-Income Home Energy Assistance Program:				
Crisis Intervention Payments	93.568	WCA375	26,980	-
Low Income Energy Administration	93.568	WCA375	61,100	-
Low Income Energy Assistance	93.568	WCA375	8,390	-
Total Low-Income Home Energy Assistance Grant			96,470	-
Permanency Planning - Service & Admin	93.645	WCA375	960	-
Child Support Enforcement Program:				
IV-D Administration	93.563	WCA375	155,452	-
Total Child Support Enforcement Grant			155,452	-

Continued

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2019

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Grantor Number	Expenditures Federal	Expenditures State
FEDERAL AWARDS (CONTINUED)				
Children's Health Insurance Program (CHIP):				
North Carolina Health Choice	93.767	WCA375	16,709	
Total Child Support Enforcement Grant			16,709	-
Total U.S. Department of Health and Human Services			945,747	3,493
U.S. Department of Housing and Urban Development				
Passed through North Carolina Housing Finance Agency				
Essential Single-Family Rehabilitation Loan Pool (ESFRLP-16)	14.239	M15-SG370100	23,912	-
Essential Single-Family Rehabilitation Loan Pool - Disaster Recovery Funding (ESFRLP-DR)	14.239	M15-SG370100	202,978	-
Total U.S. Department of Housing and Urban Development			226,890	-
U.S. Department of Commerce				
Economic Development Administration	11.300		692,656	-
TOTAL FEDERAL AWARDS			2,365,342	18,364
STATE AWARDS				
North Carolina Department of Health and Human Services:				
Division of Social Services:				
State Child Welfare/CPS/CS LD			-	8,718
Total Division of Social Services			-	8,718
Total North Carolina Department of Health and Human Services			-	8,718
North Carolina Department of Transportation:				
Rural Operating Assistance Program				
Elderly and Disabled Transportation Assistance Program			-	49,978
ROAP Employment/Work First			-	4,853
Rural General Public Program			-	48,384
Total Rurual Operating Asssitance Program			-	103,215
Total North Carolina Department of Transportation			-	103,215
North Carolina Department of Public Safety				
Criminal Justice Partnership		737-10497	-	32,968
Genesis - JCPC Tutoring/Academic Enhancement		737-10132	-	30,331
Total North Carolina Department of Public Safety			-	63,299
North Carolina Department of Public Instruction:				
Public School Capital Building Fund - Needs Based Grant			-	2,197,479
Total North Carolina Department of Public Instruction			-	2,197,479
Local Emergency Planning Program				
Local Emergency Planning Committee (LEPC)		TIER II-2018	-	1,000
Total Local Emergency Planning Program			-	1,000
North Carolina Department of Agriculture & Consumer Services				
Soil & Water Conservation		17-175-4011	-	24,337
Surry Nuclear Power Plant			-	700
Scrap Tire Disposal			-	16,755
Total North Carolina Department of Agriculture & Consumer Services			-	41,792
TOTAL STATE AWARDS			-	2,415,504
TOTAL FEDERAL AND STATE AWARDS			$ 2,365,342	$ 2,433,867

GATES COUNTY, NORTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. BASIS OF PRESENTATION AND ACCOUNTING

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when the related Fund liability is incurred.

Federal grant programs which are administered through State agencies (pass-through awards) have been included in this report, including any funds expended for the State funded portion of those same programs.

The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State Single Audit Implementation Act*, therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

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

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GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	__X__ yes ____ no
Significant deficiencies identified?	_____ yes _X_ none reported
Noncompliance material to financial statements noted?	_____ yes _X_ no

Federal Awards

Internal control over major programs:	
Material weaknesses identified:	_____ yes _X_ no
Significant deficiencies identified:	_____ yes _X__ none reported
Type of auditor's report issued on compliance of major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported In accordance with 2 CFR 200.516(a)?	_____ yes _X__ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.778	Medicaid Cluster
10.561	Supplemental Nutrition Assistance Program Cluster
11.300	Economic Adjustment Assistance

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION I
SUMMARY OF AUDITOR'S RESULTS (Continued)

State Awards

Internal control over major state programs:	
Material weaknesses identified:	_____ yes __X__ no
Significant deficiencies identified:	_____ yes __X__ none reported
Type of auditor's report issued on compliance of major state programs:	Unmodified
Any audit findings disclosed that are require to be reported In accordance with the State Single Audit Implementation Act?	_____ yes __X__ no

Identification of major state program:
Program Name
Public School Building Capital Fund

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2019-001 Equity Reconciliations

***Criteria*:** Internal controls should be in place to ensure that financial statements are properly presenting the financial position and results of operations of the County in accordance with generally accepted accounting principles.

***Condition*:** Internal controls were not sufficient to detect misstatements in the reporting of the opening net position balances of the County's General Fund, Water Fund, Middle School Fund, School Capital Fund, and Landfill Fund. There were three separate issues which created the variance within these funds which are (1) during the close-out of 2018 certain funds were closed to both the current fund balance and an old fund balance account, thus creating a "false" account and causing the fund in the system to be out of balance; (2) a mapping fault within the system which caused certain revenue receipts to be coded against the accounts receivable accounts instead of the revenue control account; and (3) one fund had an audit adjustment from 2018 which was not posted in error. All of these issues created errors in the opening fund balance of these funds and were not timely identified and resolved by management's internal controls.

***Context/Cause*:** During our testing, audit adjustments were required to adjust the opening fund balance or net position of the following funds:

- Four funds, the General Fund, School Capital Fund, Water Fund, and Landfill Fund were improperly closed out at the end of the 2018 audit and as a result the County's general ledger for these funds is out of balance by $72,255, $888,341, $1,328,483, and $94,833, respectively. The issue is there is an inactive fund balance account which includes the close-out of each fund in duplicate to the active fund balance account. These inactive accounts are being reset by management to clean up the fund balance reporting.
- Due to mapping errors in the account maintenance of the County's general ledger, there were system entries which should have been posted to the Revenue Control account but were mapped to incorrect balance sheet accounts. The General Fund, Middle School Fund, Water Fund and Landfill Fund all required adjustments of $794,058, $154,561, $299,655, and $216,382, respectively to correct the opening fund balance for entries which were not mapped properly within the general ledger system.
- The Waste Water Fund required an adjustment of $13,228 to record a prior year audit entry missed in error during the 2018 close-out process, thus causing a misstatement in the Fund's opening net position.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019-001 Equity Reconciliations (Continued)

***Effects*:** Audit adjustments totaling approximately $3.7 million were needed to correct the County's opening fund balance or net position as of June 30, 2019.

***Recommendation*:** We recommend the County carefully review the setup of any new accounts to ensure the mapping is properly setup. Each month management should review the opening equity balances to ensure there are no transactions improperly adjusting the opening balances of fund balance or net position. Additionally, management should be reconciling the balance sheet, each month, to the subsidiary ledgers in order to timely address variances in the account balance which are outside of expectations.

***Auditee's Response*:** We concur with the finding and are currently implementing controls to ensure these year-end adjustments are considered and reflected in the general ledger, as appropriate.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019-002 Revenue Recognition

Criteria: Internal controls should be in place to ensure that amounts reported as revenues and related balance sheet accounts are appropriate, are properly valued, and are recorded in the proper period in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the County's revenues and related balance sheet accounts.

Context/Cause: During our testing, an audit adjustment was required to adjust the following:

- An entry of approximately $767,000 was required to adjust the intergovernmental revenue and accounts receivable in the Middle School Fund based on eligible reimbursement costs which were not accrued as of June 30, 2019;
- The General Fund required adjustments of approximately $238,000 to accrue uncollected property tax billings which were provided by the tax department as of June 30, 2019, to accrue intergovernmental grant reimbursements which were incurred as of June 30, 2019, and to adjust the accounts receivable general ledger balance to agree with the subsidiary ledger;
- The Water Fund required adjustments of approximately $124,000 to adjust the service billings and related allowance accounts for billed and uncollected receivables; and the Waste Water Fund required an adjustment of approximately $355,000 to accrue grant reimbursements for costs which were incurred as of June 30, 2019; and
- The Landfill Fund required adjustments of approximately $206,000 to adjust the service billings and related allowance accounts for billed and uncollected receivables, including approximately $145,000 of revenues improperly accrued as of June 30, 2018, for which a prior period adjustment was required.

Effects: Total adjustments of approximately $1.6 million were required to record intergovernmental receivables for reimbursable costs incurred as of June 30, 2019, and to adjust the general ledger to agree with tested subsidiary ledgers.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019-002 Revenue Recognition (Continued)

Recommendation: We recommend the County carefully review all revenues and related receivable accounts to ensure they are reported in the proper reporting period and in accordance with generally accepted accounting principles.

Auditee's Response: We will take necessary steps in the future to ensure that revenues and related balance sheet accounts are properly recorded.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019-003 General Ledger Maintenance

Criteria: Internal controls should be in place to ensure that financial statements properly present the financial position and results of the County in accordance with generally accepted accounting principles.

Condition: The County's reviews and manual adjustments were not sufficient to detect, correct, and prevent errors in the reporting of several general ledger accounts.

Context/Cause: During our audit for the year ended June 30, 2019, an adjustment was required to record the current year activity of the capital assets on a full accrual basis of accounting in the Water Fund.

Effects: An audit adjustment of approximately $88,000 was proposed to capitalize capital assets which were incorrectly expensed and were not being reported as capital assets on the balance sheet or in the subsidiary ledger.

Recommendation: We recommend the County carefully review the outlays of the County's funds to ensure all capital related costs are properly identified and recorded in the subsidiary capital asset ledger as well as on the balance sheet of the proprietary funds.

Auditee's Response: We will take necessary steps in the future to the financial statements properly present the financial position and results of the County, in accordance with generally accepted accounting principles.

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION III
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION IV
STATE AWARD FINDINGS AND QUESTIONED COSTS

None noted

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2018-001 Segregation of Duties

Condition: The size of the County's accounting and administrative staff preclude internal controls that would be preferred if the office staff were large enough, to provide optimum segregation of duties. Appropriate segregation of duties was not noted within the following areas of the County: cash receipting, recording and reconciliation process, journal entry review, revenue and receivable recording, accounts payable and expense/expenditure recording, personnel and payroll recording, capital asset maintenance, and debt and debt service expenditures.

Cause/Context: Although the small size of the County's staff limits the segregation of duties, it is important that incompatible duties be assigned to different individuals and/or compensating controls implemented. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction.

Status: The County has hired a new Finance Director and has worked to segregate duties, where possible, and implement compensating controls where segregation is not possible.

2018-002 Equity Reconciliations

Condition: Internal controls should be in place to ensure that financial statements are properly presenting the financial position and results of operations of the County in accordance with generally accepted accounting principles.

Cause/Context: During our testing, several audit adjustments were required to adjust the opening fund balance or net position of the General Fund, Emergency Telephone System Fund, Water Fund, and Landfill Fund.

Status: Finding was repeated in 2019.

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2018-003 Expenditures/Expenses and Related Liability Accounts

Condition: Misstatements were detected in the reporting of the County's expenditures/expenses and the related balance sheet accounts.

Context/Cause: During our testing, audit adjustments were required to properly report the expenditures/ expenses and related balance sheet accounts.

Status: Finding was eliminated in 2019.

2018-004 Revenue Recognition

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the County's revenues and related balance sheet accounts.

Context/Cause: During our testing, an audit adjustment was required to adjust the recognition of the revenues in the General Fund and the Water Fund.

Status: Finding was repeated in 2019.

2018-005 General Ledger Maintenance

Condition: The County's reviews and manual adjustments were not sufficient to detect, correct, and prevent errors in the reporting of several general ledger accounts.

Context/Cause: During our audit for the year ended June 30, 2018, several misstatements were identified which were generated from the operation of the County's general ledger software. There were several adjustments required as a result of the audit to correct misstatements.

Status: Finding was repeated in 2019.

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2018-006 Timely and Accurate Reporting of the Schedule of Expenditures of Federal and State Awards

Criteria: 2 CFR 200.302(b)(1) states that all nonfederal entities must identify in its accounts all federal awards received and expended. The schedule of expenditures of federal and state awards (SEFSA), as required by 2 CFR 200.510(b), should be derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements for the County.

Condition: Internal controls were not in place to timely prepare, support, or reconcile the expenditures reported on the schedule of expenditures of federal and state awards (SEFSA) to the County's underlying accounting records. The County was not able to timely prepare the complete schedule of expenditures of federal and state awards until February 2019. Additionally, the County prepares the majority portion of the schedule of expenditures of federal and state awards based on revenues received from the State for state and pass-through federal funds.

Status: The County has worked on implementing controls and procedures to improve the timeliness of the preparation of the SEFSA. As a result, this finding was eliminated in 2019.

2018-007 Annual Budget Adoption

Criteria: North Carolina General Statute 159-8, *Annual Balanced Budget Ordinance*, requires that each local government shall operate under an annual balanced budget.

Condition: During the course of the fiscal year ended June 30, 2018, the County Board of Commissioners made multiple amendments to the originally adopted budget, which in aggregate resulted in the final approved budget of the General Fund and the Water Fund operating under a budget with an unbudgeted deficit of $771,464 and $481,560, respectively.

Status: Finding was eliminated in 2019.

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2018-008 Timely Bank Reconciliations

Criteria: Internal controls should be in place to ensure bank accounts are timely reconciled throughout the fiscal year and reconciling items are properly handled and recorded correctly in the general ledger in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to facilitate the accurate, timely reporting of the County's cash balances throughout the year. Due to the turnover in the County's Finance Officer position and staff resources in the Finance Department, the County was not timely reconciling the cash accounts throughout the year.

Status: Finding was eliminated in 2019.

GATES COUNTY
NORTH CAROLINA

Gates County
200 Court Street
PO Box 148, Gatesville, NC 27938

Phone (252) 357-2411
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MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019

2019-001 Equity Reconciliations

Contact Person Responsible for the Corrective Action Plan: Kim Outland, Financial Services Director

Corrective Action Plan: We have reviewed the audit entries and all adjustments have been recorded in the County's general ledger. Additionally, we will perform periodic reconciliations of the general ledger to the prior year's audit to ensure there are no miscellaneous entries posted in error during the course of the fiscal year.

Anticipated Completion Date: June 30, 2020

2019-002 Revenue Recognition

Contact Person Responsible for the Corrective Action Plan: Kim Outland, Financial Services Director

Corrective Action Plan: The County will continue to improve on the financial year end close out process. Controls are being reviewed to ensure cut-off of grant reimbursements are included in the year end close out procedures.

Anticipated Completion Date: June 30, 2020

2019-003 General Ledger Maintenance

Contact Person Responsible for the Corrective Action Plan: Kim Outland, Financial Services Director

Corrective Action Plan: The County will ensure the capital assets are properly accounted for during the year end close out process.

Anticipated Completion Date: June 30, 2020