

**REVIEWED**

*By SLGFD at 4:55 pm, Feb 01, 2022*

# **GATES COUNTY, NORTH CAROLINA**

## **ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2021**

**Prepared by:  
Department of Finance**

**Submitted by:  
Timothy Wilson  
County Manager**

**GATES COUNTY, NORTH CAROLINA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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**Members of the Board of Commissioners**  
**Gates County, North Carolina**  
**Gatesville, 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, 2021, 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.

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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, 2021, 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 68, 69, 70, 71, 72, 73, 74, 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.

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### *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* (CFR) 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 January 6, 2022, 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.



Columbia, South Carolina  
January 6, 2022



## Management's Discussion and Analysis

As management of Gates County (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2021. 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

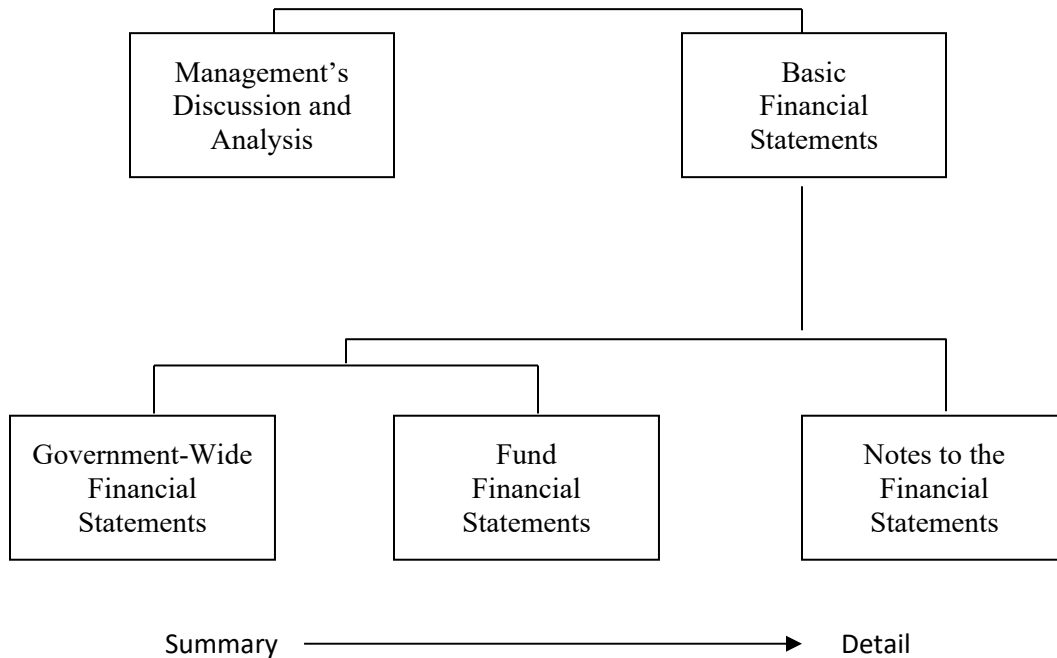
- The assets and deferred outflows of resources of Gates County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,189,801 (*net position*).
- The County's total net position decreased by \$8,298,600. The largest single factor that contributed to this decrease was the completion of the new Central Middle School and transfer of that asset to Gates County Public Schools.
- As of the close of the current fiscal year, the County's total governmental funds reported combined ending fund balances of \$8,202,392, an increase of \$1,779,343, from the June 30, 2020, fund balance.
- At the end of the current fiscal year, total fund balance for the General Fund was \$6,279,056, an increase of \$1,947,441 from the June 30, 2020 balance; \$274,013 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 \$1,280,183 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 the County's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (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 the 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 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 supplementary 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 the 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 the 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 the County include general governmental, public safety, economic and physical development, human services, culture and recreation, and education. The business-type activities of the County are the solid waste (landfill) operations and the Water Fund.

The government-wide financial statements include not only the County itself (known as the primary government), but also the Gates County ABC Board for which the 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. The County, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the 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.

The County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board 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.** The County maintains one type of proprietary fund: Enterprise Funds. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. The 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 26 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the 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	
	2021	2020 (Restated)	2021	2020	2021	2020 (Restated)
Current and other assets	\$ 10,059,353	\$ 7,417,735	\$ 3,061,332	\$ 2,794,139	\$ 13,120,685	\$ 10,211,874
Capital assets	7,224,002	17,827,276	8,075,625	8,354,572	15,299,627	26,181,848
Total assets	<u>17,283,355</u>	<u>25,245,011</u>	<u>11,136,957</u>	<u>11,148,711</u>	<u>28,420,312</u>	<u>36,393,722</u>
Total deferred outflows of resources	<u>1,628,897</u>	<u>760,241</u>	<u>313,406</u>	<u>80,183</u>	<u>1,942,303</u>	<u>840,424</u>
Long-term liabilities	13,787,066	12,517,095	1,306,459	768,230	15,093,525	13,285,325
Other liabilities	1,589,145	1,726,056	182,899	190,330	1,772,044	1,916,386
Total liabilities	<u>15,376,211</u>	<u>14,243,151</u>	<u>1,489,358</u>	<u>958,560</u>	<u>16,865,569</u>	<u>15,201,711</u>
Total deferred inflows of resources	<u>1,027,043</u>	<u>1,289,296</u>	<u>280,202</u>	<u>254,738</u>	<u>1,307,245</u>	<u>1,544,034</u>
Net position:						
Net investment in capital assets	6,591,588	17,115,662	8,075,625	8,354,572	14,667,213	25,470,234
Restricted	3,497,119	3,586,832	-	-	3,497,119	3,586,832
Unrestricted	(7,579,709)	(10,229,689)	1,605,178	1,661,024	(5,974,531)	(8,568,665)
Total net position	<u>\$ 2,508,998</u>	<u>\$ 10,472,805</u>	<u>\$ 9,680,803</u>	<u>\$ 10,015,596</u>	<u>\$ 12,189,801</u>	<u>\$ 20,488,401</u>

As noted earlier, net position, over time, may serve as a useful indicator of a government's financial position. For the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$12,189,801 at the close of the most recent fiscal year. The County's net position decreased by \$8,298,600 for the fiscal year ended June 30, 2021.

One of the largest portions of the 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 \$14,667,213, which represents 120% of the County's total net position. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the 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, the County is reporting unrestricted net position in the amount of (\$5,974,531) for the government as a whole. It should be noted that the County is carrying roughly \$7.4 million in debt related to Gates County Public Schools and during the current year, the County transferred the completed Central Middle School to Gates County Public Schools who is responsible for the operation and cost of repairs and maintenance to the asset. In essence, the County's deficit in unrestricted net position for governmental activities (\$7,579,666) is roughly equal to the balance of the outstanding debt that the County is carrying for Gates County Public Schools because the County is carrying the liability without the offsetting asset.

**Gates County's Changes in Net Position**  
**Figure 3**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Program revenues						
Charges for services	\$ 684,088	\$ 688,171	\$ 2,163,088	\$ 2,302,842	\$ 2,847,176	\$ 2,991,013
Operating grants and contributions	2,475,715	2,116,710	37,254	-	2,512,969	2,116,710
Capital grants and contributions	36,677	363,238	-	27,620	36,677	390,858
General revenues						
Property taxes	7,666,677	7,477,910	-	-	7,666,677	7,477,910
Local option sales tax	3,488,508	3,011,725	-	-	3,488,508	3,011,725
Other taxes	-	-	-	-	-	-
Other items	34,052	69,695	-	-	34,052	69,695
Interest earnings	14,198	69,604	7,393	16,339	21,591	85,943
Total revenues	<u>14,399,915</u>	<u>13,797,053</u>	<u>2,207,735</u>	<u>2,346,801</u>	<u>16,607,650</u>	<u>16,143,854</u>
Expenses						
General government	1,840,408	1,768,215	-	-	1,840,408	1,768,215
Public safety	3,304,426	2,939,873	-	-	3,304,426	2,939,873
Human services	1,956,732	2,135,415	-	-	1,956,732	2,135,415
Education	13,434,915	2,864,000	-	-	13,434,915	2,864,000
Economic and physical development	1,218,732	1,305,560	-	-	1,218,732	1,305,560
Culture and recreation	422,497	424,793	-	-	422,497	424,793
Interest on long-term debt	330,682	354,089	-	-	330,682	354,089
Landfill	-	-	953,770	929,463	953,770	929,463
Water	-	-	1,444,088	1,468,719	1,444,088	1,468,719
Total expenses	<u>22,508,392</u>	<u>11,791,945</u>	<u>2,397,858</u>	<u>2,398,182</u>	<u>24,906,250</u>	<u>14,190,127</u>
Increase (decrease) before transfers	(8,108,477)	2,005,108	(190,123)	(51,381)	(8,298,600)	1,953,727
Transfers	<u>144,670</u>	<u>454,432</u>	<u>(144,670)</u>	<u>(454,432)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(7,963,807)</u>	<u>2,459,540</u>	<u>(334,793)</u>	<u>(505,813)</u>	<u>(8,298,600)</u>	<u>1,953,727</u>
Net position, beginning	10,472,805	8,012,965	10,015,596	10,521,409	20,488,401	18,534,374
Restatements	-	300	-	-	-	300
Net position, ending	<u>\$ 2,508,998</u>	<u>\$ 10,472,805</u>	<u>\$ 9,680,803</u>	<u>\$ 10,015,596</u>	<u>\$ 12,189,801</u>	<u>\$ 20,488,401</u>

**Governmental Activities.** Governmental activities decreased the County's net position by \$7,963,807. Key elements of this decrease are as follows:

- The largest single factor that contributed to this decrease was the completion of the new Central Middle School and transfer of that asset to Gates County Public Schools. The County still carries roughly \$7.4 million in debt related to Gates County Public School projects without carrying the corresponding assets to offset the debt.
- Increased collections in Property Taxes, Local Option Sales Tax, and Operating Grants & Contributions helped to offset the decrease in net position resulting from the transfer of Central Middle School.

**Business-type Activities.** Business-type activities decreased the County's net position by \$334,793. Key elements of this decrease are as follows:

- Due to State mandates during the Pandemic there was a decrease in collections on Water/Sewer accounts. The County could not collect or charge late/service fees and customers could opt to set up a payment plan if they were unable to pay in full.

- Correction of the classification of advanced payments (prepayments by water customers over current amount owed to the County) as a deferred inflow of resources instead of revenue created a reduction in revenue from FY20 to FY21

### **Financial Analysis of the County's Funds**

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$8,202,392, an increase of \$1,779,343 in comparison with 2020. This increase is predominantly driven by two contributing factors: (1) an increase in the collection of Property Taxes and Local Option Sales Tax, etc. and (2) reimbursement to the General Fund from CARES ACT funding for eligible expenditures.

The General Fund is the principal operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,696,823 while total fund balance for the General Fund was \$6,279,056. 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 39.46% of total General Fund expenditures (excluding transfers), while total fund balance represents 52.75% of that same amount.

The School Capital Outlay Fund is used to account for financial resources set aside for school district capital improvements. The County collected \$716,818 in Article 44 Sales Tax and used \$584,730 for debt repayment of the Central Middle School project. The net transfer from the General Fund to the School Capital Outlay fund increased the fund balance by \$132,088. The total restricted fund balance of \$1,778,510 can be used on projects in future years or future debt payments for school capital projects.

The COVID-19 Relief Fund is used to account for revenues received by the County from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan and the related expenditures incurred in responding to the COVID-19 pandemic. During FY21, all remaining CARES Act funds were expended. The County received the first tranche under the American Rescue Plan of \$1,122,892 in FY21 for future eligible projects.

### **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 \$426,291.

**Proprietary Funds.** The 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, 2021, was \$281,454 and \$1,323,724 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 \$15,299,627 (net of accumulated depreciation) as of June 30, 2021. These assets include land buildings, other improvements, equipment, vehicles, and plant and systems.

### Gates County's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,138,007	\$ 1,138,007	\$ 432,336	\$ 432,336	\$ 1,570,343	\$ 1,570,343
Construction in progress	-	11,432,480	-	-	-	11,432,480
Buildings and improvements	4,207,639	3,265,505	-	-	4,207,639	3,265,505
Other improvements	828,625	889,286	-	-	828,625	889,286
Plant and distribution systems	-	-	7,565,927	7,812,237	7,565,927	7,812,237
Equipment	465,973	629,472	45,467	24,196	511,440	653,668
Vehicles	583,758	472,526	31,895	85,803	615,653	558,329
Total capital assets	<u>\$ 7,224,002</u>	<u>\$ 17,827,276</u>	<u>\$ 8,075,625</u>	<u>\$ 8,354,572</u>	<u>\$ 15,299,627</u>	<u>\$ 26,181,848</u>

Additional information on the 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, the County's long-term obligations are summarized below.

### Gates County's Long-term Obligations

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Notes payable	\$ 1,065,749	\$ 1,578,282	\$ -	\$ -	\$ 1,065,749	\$ 1,578,282
Bonds payable	6,970,000	7,380,000	-	-	6,970,000	7,380,000
Compensated absences	347,320	331,044	21,912	30,037	369,232	361,081
Net pension liability (LGRS)	1,405,044	1,083,568	130,457	107,114	1,535,501	1,190,682
Net pension liability (LEOSSA)	162,311	142,680	-	-	162,311	142,680
Total OPEB liability	3,836,642	3,062,647	1,154,090	661,116	4,990,732	3,723,763
Total long-term liabilities	<u>\$ 13,787,066</u>	<u>\$ 13,578,221</u>	<u>\$ 1,306,459</u>	<u>\$ 798,267</u>	<u>\$ 15,093,525</u>	<u>\$ 14,376,488</u>

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 the County is \$69,409,906.

More detailed information on the 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 2022 will be \$0.79 per \$100 of assessed property value, an unchanged amount from fiscal year end June 30, 2021.
- Solid Waste fees will continue to be on the tax bill as the Gates County Code of Ordinances directs. The total fee will be \$240, an unchanged amount from fiscal year end June 30, 2021.

## **Budget Highlights for the Fiscal Year Ending June 30, 2022**

**Governmental Activities.** During fiscal year 2022, the 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 2022, the base sewer rates will remain unchanged in the amount of \$24 for the first 1,000 gallons. Base water rates will remain unchanged in the amount of \$12 for the 1,000 gallons of usage. Other fees, including the Cut Seal/Lock Fee and Service Fee will remain unchanged in the amount of \$25 and \$40, respectively. Although, rates will not change at this time, there are several proposed items to be considered in the upcoming months. Several of the proposed changes will be: (1) the billing frequency will change from 12 bills a year to 6 bills a year, (2) lates fees (between the due date and cut-off date) will be removed and (3) reconnect fees will increase from \$40 to \$60.

Solid Waste fees will continue to be on 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.

## **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, 115 Court Street, Gatesville, North Carolina 27938.

# GATES COUNTY, NORTH CAROLINA

## STATEMENT OF NET POSITION

JUNE 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Gates County ABC Board
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,185,422	\$ 2,762,169	\$ 10,947,591	\$ 198,119
Receivables, net of allowance for uncollectibles	1,230,740	265,517	1,496,257	-
Taxes receivable, net of allowance for uncollectibles	305,297	-	305,297	-
Due from other governments	26,490	4,496	30,986	-
Inventories	-	29,150	29,150	218,334
Prepaid items	-	-	-	2,154
Restricted cash and cash equivalents	293,599	-	293,599	-
Net pension asset	17,805	-	17,805	-
Capital assets:				
Non-depreciable	1,138,007	432,336	1,570,343	-
Depreciable, net of accumulated depreciation	6,085,995	7,643,289	13,729,284	474,451
Total assets	17,283,355	11,136,957	28,420,312	893,058
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	820,106	70,115	890,221	6,932
OPEB related items	808,791	243,291	1,052,082	-
Total deferred outflows of resources	1,628,897	313,406	1,942,303	6,932
<b>LIABILITIES</b>				
Accounts payable	197,950	165,883	363,833	83,617
Accrued liabilities	194,412	17,016	211,428	24,705
Unearned revenue	1,136,657	-	1,136,657	-
Interest payable	60,126	-	60,126	-
Installment notes, due within one year	517,227	-	517,227	-
Installment notes, due in more than one year	548,522	-	548,522	-
Bonds, due within one year	410,000	-	410,000	-
Bonds, due in more than one year	6,560,000	-	6,560,000	-
Compensated absences, due in one year	145,190	21,912	167,102	-
Compensated absences, due in more than one year	202,130	-	202,130	-
Total pension liability, due in more than one year	162,311	-	162,311	-
Net pension liability, due in more than one year	1,405,044	130,457	1,535,501	7,147
Total OPEB liability, due in more than one year	3,836,642	1,154,090	4,990,732	-
Total liabilities	15,376,211	1,489,358	16,865,569	115,469
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred tax revenue	34,716	-	34,716	-
OPEB related items	918,552	276,307	1,194,859	-
Pension related items	73,775	3,895	77,670	-
Total deferred inflows of resources	1,027,043	280,202	1,307,245	-
<b>NET POSITION</b>				
Net investment in capital assets	6,591,588	8,075,625	14,667,213	474,451
Restricted for:				
Stabilization by State Statute	1,292,504	-	1,292,504	34,728
Tax revaluation	274,013	-	274,013	-
Register of deeds	19,587	-	19,587	-
Education	1,778,510	-	1,778,510	-
Human services	633	-	633	-
Public safety	131,872	-	131,872	-
Unrestricted	(7,579,709)	1,605,178	(5,974,531)	275,342
Total net position	\$ 2,508,998	\$ 9,680,803	\$ 12,189,801	\$ 784,521

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

# GATES COUNTY, NORTH CAROLINA

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
Governmental activities:				
General government	\$ 1,840,452	\$ 76,483	\$ 489,714	\$ -
Public safety	3,304,426	566,375	1,560	36,677
Human services	1,956,732	26,385	1,984,441	-
Education	13,434,915	-	-	-
Economic development	1,218,732	14,845	-	-
Culture and recreation	422,497	-	-	-
Interest on long-term debt	330,682	-	-	-
Total governmental activities	<u>22,508,436</u>	<u>684,088</u>	<u>2,475,715</u>	<u>36,677</u>
Business-type activities:				
Landfill	953,770	977,805	37,254	-
Water	1,444,088	1,185,283	-	-
Total business-type activities	<u>2,397,858</u>	<u>2,163,088</u>	<u>37,254</u>	<u>-</u>
Total primary government	<u>\$ 24,906,294</u>	<u>\$ 2,847,176</u>	<u>\$ 2,512,969</u>	<u>\$ 36,677</u>
Component Unit:				
Gates County ABC Board	\$ 1,113,030	\$ 1,139,149	\$ -	\$ -
Total component unit	<u>\$ 1,113,030</u>	<u>\$ 1,139,149</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Ad valorem taxes

Sales and use taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year, as 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
\$ (1,274,255)	\$ -	\$ (1,274,255)	\$ -
(2,699,814)	-	(2,699,814)	-
54,094	-	54,094	-
(13,434,915)	-	(13,434,915)	-
(1,203,887)	-	(1,203,887)	-
(422,497)	-	(422,497)	-
(330,682)	-	(330,682)	-
(19,311,956)	-	(19,311,956)	-
-	61,289	61,289	-
-	(258,805)	(258,805)	-
-	(197,516)	(197,516)	-
\$ (19,311,956)	\$ (197,516)	\$ (19,509,472)	\$ -
\$ -	\$ -	\$ -	\$ 26,119
\$ -	\$ -	\$ -	\$ 26,119
\$ 7,666,677	\$ -	\$ 7,666,677	\$ -
3,488,508	-	3,488,508	-
14,242	7,393	21,635	-
34,052	-	34,052	-
144,670	(144,670)	-	-
11,348,149	(137,277)	11,210,872	-
(7,963,807)	(334,793)	(8,298,600)	26,119
10,472,805	10,015,596	20,488,401	758,402
\$ 2,508,998	\$ 9,680,803	\$ 12,189,801	\$ 784,521

**GATES COUNTY, NORTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	General Fund	School Capital Outlay Fund	COVID-19 Relief Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 5,146,196	\$ 1,778,510	\$ 1,115,021	\$ 145,695	\$ 8,185,422
Taxes receivable, net	305,297	-	-	-	305,297
Accounts receivable	1,218,867	-	-	11,873	1,230,740
Due from other governments	17,675	-	8,048	767	26,490
Restricted cash and cash equivalents	293,599	-	-	-	293,599
Total assets	<u>\$ 6,981,634</u>	<u>\$ 1,778,510</u>	<u>\$ 1,123,069</u>	<u>\$ 158,335</u>	<u>\$ 10,041,548</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 184,264	\$ -	\$ -	\$ 13,686	\$ 197,950
Accrued payroll and withholdings	194,412	-	-	-	194,412
Unearned revenue	13,765	-	1,122,892	-	1,136,657
Total liabilities	<u>392,441</u>	<u>-</u>	<u>1,122,892</u>	<u>13,686</u>	<u>1,529,019</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - ad valorem taxes	275,421	-	-	-	275,421
Deferred revenue - prepaid taxes	34,716	-	-	-	34,716
Total deferred inflows of resources	<u>310,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>310,137</u>
<b>FUND BALANCES</b>					
Restricted:					
Stabilization by State Statute	1,280,183	-	-	12,321	1,292,504
Education	-	1,778,510	-	-	1,778,510
Public safety	-	-	177	131,695	131,872
Human services	-	-	-	633	633
Register of deeds	19,587	-	-	-	19,587
Tax revaluation	274,013	-	-	-	274,013
Assigned:					
2022 budget appropriation	8,450	-	-	-	8,450
Unassigned	4,696,823	-	-	-	4,696,823
Total fund balances	<u>6,279,056</u>	<u>1,778,510</u>	<u>177</u>	<u>144,649</u>	<u>8,202,392</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,981,634</u>	<u>\$ 1,778,510</u>	<u>\$ 1,123,069</u>	<u>\$ 158,335</u>	

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.	7,224,002
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	275,421
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.	(803,219)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(12,389,598)
Net position of governmental activities	<u>\$ 2,508,998</u>

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, 2021

	General Fund	School Capital Outlay Fund	COVID-19 Relief Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 7,701,989	\$ -	\$ -	\$ -	\$ 7,701,989
Sales tax	3,488,508	-	-	-	3,488,508
Intergovernmental revenues	1,991,471	-	455,067	87,189	2,533,727
Charges for services	106,157	-	-	395,248	501,405
Investment earnings	13,650	207	177	208	14,242
License and permits	182,683	-	-	-	182,683
Miscellaneous	33,552	-	-	500	34,052
Total revenues	<u>13,518,010</u>	<u>207</u>	<u>455,244</u>	<u>483,145</u>	<u>14,456,606</u>
<b>Expenditures</b>					
Current:					
General government	1,692,445	-	128,879	-	1,821,324
Public safety	2,994,049	-	-	315,939	3,309,988
Human services	1,789,915	-	-	11,655	1,801,570
Education	2,814,000	-	-	-	2,814,000
Economic development	1,154,735	-	-	73,641	1,228,376
Culture and recreation	329,675	-	-	-	329,675
Capital outlay	7,500	-	-	270,452	277,952
Debt service:					
Principal retirements	922,533	-	-	-	922,533
Interest and fiscal charges	340,255	-	-	-	340,255
Total expenditures	<u>12,045,107</u>	<u>-</u>	<u>128,879</u>	<u>671,687</u>	<u>12,845,673</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,472,903</u>	<u>207</u>	<u>326,365</u>	<u>(188,542)</u>	<u>1,610,933</u>
<b>Other financing sources (uses)</b>					
Proceeds from sale of capital assets	20,553	-	-	-	20,553
Transfers in	1,204,111	816,142	-	42,578	2,062,831
Transfers out	(750,126)	(584,730)	(326,188)	(253,930)	(1,914,974)
Total other financing sources (uses)	<u>474,538</u>	<u>231,412</u>	<u>(326,188)</u>	<u>(211,352)</u>	<u>168,410</u>
Net change in fund balances	1,947,441	231,619	177	(399,894)	1,779,343
<b>Fund balances, beginning of year, as restated</b>	<u>4,331,615</u>	<u>1,546,891</u>	<u>-</u>	<u>544,543</u>	<u>6,423,049</u>
<b>Fund balances, end of year</b>	<u>\$ 6,279,056</u>	<u>\$ 1,778,510</u>	<u>\$ 177</u>	<u>\$ 144,649</u>	<u>\$ 8,202,392</u>

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, 2021

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

Net change in fund balances - total governmental funds	\$ 1,779,343
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.	20,391
Governmental funds report proceeds from the disposal of capital assets whereas governmental activities report the gain or loss on disposal. Therefore, the change in fund balance of governmental funds will differ from the change in net position of governmental activities by the net book value of capital assets disposed.	(10,623,665)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(56,647)
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	922,533
Internal service funds are used by management to charge the cost of providing services to the County's individual funds. The net expense of the internal service is charged to the County's governmental activities.	(3,187)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(2,575)</u>
Change in net position - governmental activities	<u>\$ (7,963,807)</u>

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, 2021

	Budget		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 7,324,838	\$ 7,324,838	\$ 7,701,989	\$ 377,151
Sales tax	2,278,189	3,034,667	3,488,508	453,841
Intergovernmental revenue	1,837,354	2,134,735	1,991,471	(143,264)
Charges for services	110,469	110,469	106,157	(4,312)
Investment earnings	9,000	9,000	13,564	4,564
License and permits	159,050	174,637	177,760	3,123
Miscellaneous	-	9,004	33,552	24,548
Total revenues	11,718,900	12,797,350	13,513,001	715,651
<b>Expenditures</b>				
Current:				
General government	1,588,539	1,846,561	1,692,445	154,116
Public safety	2,929,476	3,063,938	2,994,049	69,889
Human services	1,854,145	1,918,119	1,789,915	128,204
Education	2,814,000	2,814,000	2,814,000	-
Economic development	1,132,109	1,329,026	954,735	374,291
Culture and recreation	329,675	329,675	329,675	-
Debt service:				
Principal retirements	922,923	922,534	922,533	1
Interest	331,858	340,257	340,255	2
Total expenditures	11,902,725	12,564,110	11,837,607	726,503
Excess of revenues over expenditures	(183,825)	233,240	1,675,394	1,442,154
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	17,000	17,000	20,553	3,553
Transfers in	977,820	1,204,111	1,204,111	-
Transfers out	(878,978)	(907,408)	(993,881)	(86,473)
Appropriation (reserve) of fund balance	67,983	(546,943)	-	546,943
Total other financing sources (uses)	183,825	(233,240)	230,783	464,023
Net change in fund balances	-	-	1,906,177	1,906,177
<b>Fund balances, beginning of year</b>	4,031,078	4,031,078	4,031,078	-
<b>Fund balances, end of year</b>	\$ 4,031,078	\$ 4,031,078		\$ 1,906,177
Reconciliation to the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance:				
Revaluation Fund			274,013	
Transit Fund			48,201	
Register of Deeds Automation Fund			19,587	
			\$ 6,279,056	

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



# GATES COUNTY, NORTH CAROLINA

## COVID-19 RELIEF FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2021

	Budget			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 224,394	\$ 455,067	\$ 230,673
Investment earnings	-	-	177	177
Total revenues	-	224,394	455,244	230,850
<b>EXPENDITURES</b>				
General government	-	6,000	128,879	(122,879)
Total expenditures	-	6,000	128,879	(122,879)
Excess of revenues over expenditures	-	218,394	326,365	107,971
<b>OTHER FINANCING SOURCES USES</b>				
Transfers out	-	(218,394)	(326,188)	(107,794)
Net change in fund balances	-	-	177	177
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ 177	\$ 177

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

# GATES COUNTY, NORTH CAROLINA

## STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2021

ASSETS	Landfill Fund	Water Fund	Totals	Internal Service Fund
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 340,034	\$ 2,422,135	\$ 2,762,169	\$ -
Accounts receivable, net of allowances	58,442	207,075	265,517	-
Due from other governments	-	4,496	4,496	-
Inventory	-	29,150	29,150	-
Total current assets	398,476	2,662,856	3,061,332	-
<b>CAPITAL ASSETS</b>				
Nondepreciable	-	432,336	432,336	-
Depreciable, net of accumulated depreciation	557	7,642,732	7,643,289	-
Total noncurrent assets	557	8,075,068	8,075,625	-
Total assets	399,033	10,737,924	11,136,957	-
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	-	70,115	70,115	-
OPEB related items	-	243,291	243,291	-
Total deferred outflows of resources	-	313,406	313,406	-
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	117,022	48,861	165,883	-
Payroll withholdings	-	17,016	17,016	-
Compensated absences payable	-	21,912	21,912	-
Total current liabilities	117,022	87,789	204,811	-
<b>NONCURRENT LIABILITIES</b>				
Net pension liability	-	130,457	130,457	-
Total OPEB liability	-	1,154,090	1,154,090	-
Total noncurrent liabilities	-	1,284,547	1,284,547	-
Total liabilities	117,022	1,372,336	1,489,358	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related items	-	3,895	3,895	-
OPEB related items	-	276,307	276,307	-
Total deferred inflows of resources	-	280,202	280,202	-
<b>NET POSITION</b>				
Investment in capital assets	557	8,075,068	8,075,625	-
Unrestricted	281,454	1,323,724	1,605,178	-
Total net position	\$ 282,011	\$ 9,398,792	\$ 9,680,803	\$ -

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, 2021

	Landfill Fund	Water Fund	Totals	Internal Service Fund
<b>OPERATING REVENUES</b>				
Charges for services	\$ 967,910	\$ 1,103,758	\$ 2,071,668	\$ -
Other operating revenues	9,895	81,525	91,420	-
Total operating revenues	977,805	1,185,283	2,163,088	-
<b>OPERATING EXPENSES</b>				
Landfill operations	953,210	-	953,210	-
Water operations	-	1,145,409	1,145,409	-
Sewer operations	-	20,292	20,292	-
Depreciation	560	278,387	278,947	-
Total operating expenses	953,770	1,444,088	2,397,858	-
Operating income	24,035	(258,805)	(234,770)	-
<b>NON-OPERATING REVENUES</b>				
Investment earnings	1,045	6,348	7,393	-
Intergovernmental grants and contributions	37,254	-	37,254	-
Total non-operating revenue	38,299	6,348	44,647	-
Income (loss) before transfers	62,334	(252,457)	(190,123)	-
Transfers out	-	(144,670)	(144,670)	(3,187)
Change in net position	62,334	(397,127)	(334,793)	(3,187)
<b>Net position, beginning of year</b>	219,677	9,795,919	10,015,596	3,187
<b>Net position, end of year</b>	\$ 282,011	\$ 9,398,792	\$ 9,680,803	\$ -

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, 2021

	Landfill Fund	Water Fund	Totals	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 976,362	\$ 1,188,945	\$ 2,165,307	\$ -
Payments to suppliers	(971,512)	(444,551)	(1,416,063)	-
Payments to employees	-	(378,024)	(378,024)	-
Net cash provided by operating activities	4,850	366,370	371,220	-
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	-	(144,670)	(144,670)	(3,187)
Non-capital grants and contributions	37,254	-	37,254	-
Net cash provided by (used in) non-capital financing activities	37,254	(144,670)	(107,416)	(3,187)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	1,045	6,348	7,393	-
Net cash provided by investing activities	1,045	6,348	7,393	-
Net increase (decrease) in cash and cash equivalents	43,149	228,048	271,197	(3,187)
Cash and cash equivalents, beginning of year	296,885	2,194,087	2,490,972	3,187
Cash and cash equivalents, end of year	<u>\$ 340,034</u>	<u>\$ 2,422,135</u>	<u>\$ 2,762,169</u>	<u>\$ -</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 24,035	\$ (258,805)	\$ (234,770)	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	560	278,387	278,947	-
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase) decrease in accounts receivable	(1,443)	3,816	2,373	-
Increase in due from other governments	-	(154)	(154)	-
Decrease in inventory	-	1,785	1,785	-
Increase (decrease) in accounts payable	(18,302)	39,454	21,152	-
Increase in accrued payroll and withholdings	-	1,454	1,454	-
Decrease in compensated absences payable	-	(8,125)	(8,125)	-
Increase in net pension liability and related items	-	18,650	18,650	-
Increase in total OPEB liability and related items	-	289,908	289,908	-
Net cash provided by operating activities	<u>\$ 4,850</u>	<u>\$ 366,370</u>	<u>\$ 371,220</u>	<u>\$ -</u>

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

**GATES COUNTY, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2021**

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<b>ASSETS</b>	<b>Custodial Funds</b>
Cash and cash equivalents	\$ 4,667
Total assets	<u>\$ 4,667</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 4,667
Total liabilities	<u>\$ 4,667</u>

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

# GATES COUNTY, NORTH CAROLINA

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2021

	<b>Custodial Funds</b>
<b>ADDITIONS</b>	
Tax collections for Town of Gatesville	\$ 71,710
EMS insurance reimbursements	624,442
Total additions	696,152
<b>DEDUCTIONS</b>	
Remittances to Town of Gatesville	71,710
Remittances to Gates County Rescue Squad	624,442
Total deductions	696,152
Change in net position	-
<b>NET POSITION, beginning of year</b>	-
<b>NET POSITION, end of year</b>	\$ -

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

# **GATES COUNTY, NORTH CAROLINA**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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### **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 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

## NOTES TO FINANCIAL STATEMENTS

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### 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.

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.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 **School Capital Outlay** fund is used to account for financial resources used for school district capital improvements.

The **COVID-19 Relief** fund is used to account for revenues received by the County from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan and the related expenditures incurred in responding to the COVID-19 pandemic.

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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

The **custodial funds** are used to account for activities in which the County is acting in a fiduciary capacity. The County maintains two (2) custodial funds: the Town of Gatesville Fund, which accounts for taxes collected on behalf of the Town of Gatesville; and the Emergency Medical Services Fund, which accounts for EMS fees collected on behalf of the Gates County 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

#### 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. The use of fund balance is shown as other financing sources for both governmental and proprietary funds. Additionally, 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, 2021, 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### E. Deposits and Investments (Continued)

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 NCCMT, which consists of two SEC-registered funds, is authorized by G.S. 159-30(c)(8). One of these funds, the Government Portfolio, is a 2a-7 fund which invests in treasuries and government agencies and is rated AAAm by S&P and AAmf by Moody Investor Services. The Government Portfolio is reported at fair value.

#### 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 Statute 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, 2020.

#### 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."

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2021, 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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **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.

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 – LEOSA 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.

## NOTES TO FINANCIAL STATEMENTS

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### 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."

**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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### P. Fund Equity (Continued)

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.

**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.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### P. Fund Equity (Continued)

**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 \$7.4 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.

#### 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.

## NOTES TO FINANCIAL STATEMENTS

### 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 \$12,389,598 difference are as follows:

Installment notes	\$ (1,065,749)
Bonds payable	(6,970,000)
Accrued interest payable	(60,126)
Total OPEB liability	(3,836,642)
OPEB related deferred outflows of resources	808,791
OPEB related deferred inflows of resources	(918,552)
Compensated absences (i.e., vacation)	(347,320)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (12,389,598)</u>

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 \$803,219 difference are as follows:

Total pension liability - Law Enforcement Officers Special Separation	
Allowance (LEOSSA) - pension plan	\$ (162,311)
Deferred outflows of resources - LEOSSA	62,642
Deferred inflows of resources - LEOSSA	(45,464)
Net pension liability - LGERS	(1,405,044)
Deferred outflows of resources - LGERS	755,153
Deferred inflows of resources - LGERS	(26,037)
Net pension asset - RODSPF	17,805
Deferred outflows of resources - RODSPF	2,311
Deferred inflows of resources - RODSPF	(2,274)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (803,219)</u>

## NOTES TO FINANCIAL STATEMENTS

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### 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

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 \$20,391 difference are as follows:

Capital outlay	\$ 573,037
Depreciation expense	<u>(552,646)</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u>\$ 20,391</u>

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 \$922,533 difference are as follows:

Principal payments on installment notes	\$ 512,533
Principal payments on bonds	<u>410,000</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u>\$ 922,533</u>

## NOTES TO FINANCIAL STATEMENTS

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### 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 “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 \$2,575 difference are as follows:

Compensated absences (i.e., vacation)	\$	(16,276)
Change in accrued interest		9,573
Net pension liability and related deferred outflows and inflows - LGERS		(214,755)
Total pension liability and related deferred outflows and inflows - LEOSSA		7,640
Net pension asset and related deferred outflows and inflows- RODSPF		1,340
Total OPEB liability and related deferred outflows and inflows		<u>209,903</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	\$	<u>(2,575)</u>

### NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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. For the fiscal year ended June 30, 2021, actual expenditures exceeded final appropriations as follows:

General Fund	Transfers out	\$86,473
COVID-19 Relief Fund	General government expenditures	122,879

These expenditures in excess of appropriations were funded by greater than anticipated revenues.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2021, are summarized as follows:

Statement of Net Position:

Cash and cash equivalents	\$ 10,947,272
Restricted cash and cash equivalents	293,599
Fiduciary - custodial funds	4,667
	<u>\$ 11,245,538</u>
Cash deposited with financial institutions	\$ 11,155,193
Cash deposited with NCCMT	90,345
	<u>\$ 11,245,538</u>

**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 NCCMT; and obligations of other political subdivisions of the state of North Carolina. The County does not have a separate credit rating policy which provides restrictions or limitations on credit ratings for the County's investments aside from adherence to the provisions of North Carolina G.S. 159-30.

As of June 30, 2021, the County had \$90,345 in the NCCMT Government Portfolio, an SEC registered (2a-7) money market mutual fund. The NCCMT Government Portfolio invests in treasuries and government agencies and is rated AAAM by S&P and AAmf by Moody Investor Services. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented by the County as cash equivalents in the financial statements.

**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. The County's investments in the NCCMT Government Portfolio are Level 1 investments.

**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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

**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, 2021, the County's deposits are insured or collateralized as required by GASB and state statutes.

### NOTE 5. RECEIVABLES

Receivables at June 30, 2021, for the County's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General	COVID-19 Relief	Landfill	Water	Other Governmental
Receivables:					
Taxes	\$ 545,512	\$ -	\$ -	\$ -	\$ -
Accounts	1,218,867	-	254,282	302,035	11,873
Due from other governments	17,675	8,048	-	4,496	767
Less allowance for uncollectible	(240,215)	-	(195,840)	(94,960)	-
Net total receivables	<u>\$ 1,541,839</u>	<u>\$ 8,048</u>	<u>\$ 58,442</u>	<u>\$ 211,571</u>	<u>\$ 12,640</u>

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## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

Capital asset activity for the County for the year ended June 30, 2021, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Nondepreciable capital assets:					
Land and easements	\$ 1,138,007	\$ -	\$ -	\$ -	\$ 1,138,007
Construction in progress	11,432,480	270,451	(10,623,665)	(1,079,266)	-
Total	12,570,487	270,451	(10,623,665)	(1,079,266)	1,138,007
Capital assets, being depreciated:					
Buildings	5,795,252	-	-	1,079,266	6,874,518
Other improvements	1,250,739	7,500	-	-	1,258,239
Equipment	1,709,537	-	-	81,314	1,790,851
Vehicles	1,307,713	295,086	(53,421)	(81,314)	1,468,064
Total being depreciated	10,063,241	302,586	(53,421)	1,079,266	11,391,672
Less accumulated depreciation for:					
Buildings	(2,529,747)	(137,132)	-	-	(2,666,879)
Other improvements	(361,453)	(68,161)	-	-	(429,614)
Equipment	(1,080,065)	(244,813)	-	-	(1,324,878)
Vehicles	(835,187)	(102,540)	53,421	-	(884,306)
Total	(4,806,452)	(552,646)	53,421	-	(5,305,677)
Total capital assets, being depreciated, net	5,256,789	(250,060)	-	1,079,266	6,085,995
Governmental activities capital assets, net	\$ 17,827,276	\$ 20,391	\$ (10,623,665)	\$ -	\$ 7,224,002

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Landfill Fund:</b>				
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	(4,478)	(560)	-	(5,038)
Total	(4,478)	(560)	-	(5,038)
Landfill Fund capital assets, net	\$ 1,117	\$ (560)	\$ -	\$ 557

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Water Fund:</b>					
Nondepreciable capital assets:					
Land	\$ 432,336	\$ -	\$ -	\$ -	\$ 432,336
Construction in progress	-	-	-	-	-
Total	432,336	-	-	-	432,336
Capital assets, being depreciated:					
Plant and distribution system	13,900,444	-	-	-	13,900,444
Furniture and equipment	437,061	-	-	-	437,061
Vehicles	296,255	-	-	-	296,255
Total depreciable assets	14,633,760	-	-	-	14,633,760
Less accumulated depreciation for:					
Plant and distribution system	(6,089,324)	(245,750)	-	-	(6,335,074)
Furniture and equipment	(412,865)	(6,200)	-	27,471	(391,594)
Vehicles	(210,452)	(26,437)	-	(27,471)	(264,360)
Total accumulated depreciation	(6,712,641)	(278,387)	-	-	(6,991,028)
Total capital assets being depreciated, net	7,921,119	(278,387)	-	-	7,642,732
Water Fund capital assets, net	\$ 8,353,455	\$ (278,387)	\$ -	\$ -	\$ 8,075,068



## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:

General government	\$ 115,172
Public safety	173,619
Human services	121,568
Economic development	49,465
Culture and recreation	92,822

Total depreciation expense - governmental activities	<u>\$ 552,646</u>
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Business-type activities

Landfill Fund	\$ 560
Water Fund	278,387

Total depreciation expense - business-type activities	<u>\$ 278,947</u>
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### NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2021, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Installment notes payable	\$ 1,578,282	\$ -	\$ (512,533)	\$ 1,065,749	\$ 517,227
Bonds payable	7,380,000	-	(410,000)	6,970,000	410,000
Net pension liability - LGERS	1,083,568	653,896	(332,420)	1,405,044	-
Total pension liability - LEOSSA	142,680	59,356	(39,725)	162,311	-
Compensated absences	331,044	154,662	(138,386)	347,320	145,190
Total OPEB liability	3,062,647	841,925	(67,930)	3,836,642	-
Governmental activity					
Long-term liabilities	<u>\$ 13,578,221</u>	<u>\$ 1,709,839</u>	<u>\$ (1,500,994)</u>	<u>\$ 13,787,066</u>	<u>\$ 1,072,417</u>
<b>Business-type activities:</b>					
Net pension liability - LGERS	\$ 107,114	\$ 54,224	\$ (30,881)	\$ 130,457	\$ -
Compensated absences	30,037	13,920	(22,045)	21,912	21,912
Total OPEB liability	661,116	513,380	(20,406)	1,154,090	-
Business-type activity					
Long-term liabilities	<u>\$ 798,267</u>	<u>\$ 581,524</u>	<u>\$ (73,332)</u>	<u>\$ 1,306,459</u>	<u>\$ 21,912</u>

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

#### Installment Notes Payable

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

<i><b>Governmental activities:</b></i>	<u><b>Balance as of June 30, 2021</b></u>
\$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.	\$ 433,335
\$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. This loan was modified after June 30, 2020, on August 21, 2020. This loan principal balance is extended through September 2027 which includes installments of \$99,451, plus interest of 2.46%.	632,414
Total outstanding notes payable	<u><u>\$ 1,065,749</u></u>

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

Year Ending June 30,	<u><b>Principal</b></u>	<u><b>Interest</b></u>	<u><b>Total</b></u>
2022	\$ 517,227	\$ 25,015	\$ 542,242
2023	85,957	13,494	99,451
2024	88,072	11,379	99,451
2025	90,238	9,213	99,451
2026	92,458	6,993	99,451
2027-2028	191,797	7,106	198,903
Total	<u><u>\$ 1,065,749</u></u>	<u><u>\$ 73,200</u></u>	<u><u>\$ 1,138,949</u></u>

#### 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:

<i><b>Governmental activities:</b></i>	<u><b>Balance as of June 30, 2021</b></u>
\$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.	<u><u>\$ 6,970,000</u></u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2022	\$ 410,000	\$ 271,830	\$ 681,830
2023	410,000	255,840	665,840
2024	410,000	239,850	649,850
2025	410,000	223,860	633,860
2026	410,000	207,870	617,870
2027-2031	2,050,000	799,500	2,849,500
2032-2036	2,050,000	399,750	2,449,750
2037-2038	820,000	47,970	867,970
Total	<u>\$ 6,970,000</u>	<u>\$ 2,446,470</u>	<u>\$ 9,416,470</u>

### NOTE 8. INTERFUND BALANCES AND TRANSFERS

The composition of interfund transfers for the year ended June 30, 2021, is as follows:

<u>Transfer in</u>	<u>Transfer out</u>	<u>Amount</u>
General Fund	School Capital Outlay Fund	\$ 584,730
General Fund	COVID-19 Relief Fund	325,289
General Fund	Water Fund	145,569
General Fund	Internal Service Fund	3,187
General Fund	Nonmajor governmental funds	145,336
		<u>\$ 1,204,111</u>
School Capital Outlay Fund	General Fund	\$ 707,548
School Capital Outlay Fund	Nonmajor governmental funds	108,594
		<u>\$ 816,142</u>
Nonmajor governmental funds	General Fund	<u>\$ 42,578</u>
Water Fund	COVID-19 Relief Fund	<u>\$ 899</u>

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 School Capital Outlay Fund reimbursed the School Reserve (in the General Fund) for construction costs previously funded with eligible sales tax dollars. The Water Fund transferred cash to reimburse the General Fund for contributions made to a wastewater project in prior years. The COVID-19 Relief Fund transferred funds to the General Fund for eligible expenditures made by the County in responding to the COVID-19 pandemic as permitted by the CARES Act and the State of North Carolina. The General Fund transferred funds to the School Capital Outlay Fund related to the funding of a capital project.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLANS

The 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:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>RODSPF</u>	<u>Total</u>
Net pension asset	\$ -	\$ -	\$ 17,805	\$ 17,805
Net pension liability	1,535,501	-	-	1,535,501
Total pension liability	-	162,311	-	162,311
Deferred outflows of resources related to pensions	825,268	62,642	2,311	890,221
Deferred inflows of resources related to pensions	29,932	45,464	2,274	77,670
Pension expense	532,938	18,731	(1,340)	550,329

#### 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 Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The state's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

## NOTES TO FINANCIAL STATEMENTS

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### 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 County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.21% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$301,010 for the year ended June 30, 2021.

## NOTES TO FINANCIAL STATEMENTS

### 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, 2021, the County reported a liability of \$1,535,501 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, 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, 2020, the County's proportion was 0.04297%, which was a decrease of 0.00063% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the County recognized pension expense of \$532,938. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 193,907	\$ -
Net difference between projected and actual earnings on pension plan investments	216,080	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	29,932
Changes in plan assumptions	114,271	-
County contributions subsequent to the measurement date	301,010	-
Total	<u>\$ 825,268</u>	<u>\$ 29,932</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

County contributions made subsequent to the measurement date of \$301,010 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2022	\$ 136,770
2023	188,051
2024	107,036
2025	62,469
Total	<u>\$ 494,326</u>

**Actuarial Assumptions.** The total pension liability as of June 30, 2020, was determined by the December 31, 2019 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 actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* 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, 2019 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.

## NOTES TO FINANCIAL STATEMENTS

### 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, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

**Discount rate.** The discount rate used to measure the total pension liability was 7.00%. 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.



## NOTES TO FINANCIAL STATEMENTS

### 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 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:

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
County's proportionate share of the net pension liability	\$ 3,115,365	\$ 1,535,501	\$ 222,524

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

#### B. Law Enforcement Officers Special Separation Allowance

**Plan Description.** The 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, 2019, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	<u>13</u>
Total	<u><u>14</u></u>

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25 to 7.75%, including inflation and productivity factor
Discount rate	1.93%

The discount rate used to measure the total pension liability is the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index. Since the prior measurement date, the discount rate has changed from 3.26% to 1.93% 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, 2019 valuation were based on the results of an actuarial experience study completed by the actuary for the Local Governmental Employees' Retirement System (LGERS) for the five-year period ending December 31, 2019.

**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 \$23,121 as benefits came due for the reporting period.

## NOTES TO FINANCIAL STATEMENTS

### 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, 2021, the County reported a total pension liability of \$162,311. The total pension liability was measured as of December 31, 2020, based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the County recognized pension expense in the amount of \$18,731. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ 42,804	\$ 3,555
Difference between expected and actual experience	9,727	41,909
County benefit payments made subsequent to the measurement date.	10,111	-
Total	<u>\$ 62,642</u>	<u>\$ 45,464</u>

An amount of \$10,111, 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized as an element of (or reduction to) pension expense as follows:

<b>Year ending June 30</b>	
2022	\$ 1,248
2023	1,372
2024	(2,240)
2025	1,274
2026	4,586
Thereafter	827
Total	<u>\$ 7,067</u>

## NOTES TO FINANCIAL STATEMENTS

### 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, 2021, were as follows:

	<u>Total Pension Liability</u>
Balance at June 30, 2020	\$ 142,680
Service cost	10,135
Interest	4,274
Difference between expected and actual experience	(16,604)
Change of assumptions or other inputs	44,947
Contributions	<u>(23,121)</u>
Balance at June 30, 2021	<u>\$ 162,311</u>

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 1.93%, 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 (0.93%) or 1-percentage-point higher (2.93%) than the current rate:

	<u>1% Decrease (0.93%)</u>	<u>Discount Rate (1.93%)</u>	<u>1% Increase (2.93%)</u>
Total pension liability	\$ 177,255	\$ 162,311	\$ 148,763

## NOTES TO FINANCIAL STATEMENTS

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### 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 ACFR for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

**Contributions.** Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$848 for the year ended June 30, 2021.

## NOTES TO FINANCIAL STATEMENTS

### 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, 2021, the County reported an asset of \$17,805 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, 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, 2020, the County's proportion was 0.07769%, which was an increase of 0.00305% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the County recognized negative pension expense of \$1,340. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 363
Net difference between projected and actual earnings on pension plan investments	-	1,524
Changes in proportion and differences between County contributions and proportionate share of contributions	1,463	387
County contributions subsequent to measurement date	848	-
Total	<u>\$ 2,311</u>	<u>\$ 2,274</u>

County contributions made subsequent to the measurement date of \$848 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an element of (or reduction to) pension expense as follows:

<b>Year Ending June 30:</b>	
2022	\$ 273
2023	(12)
2024	(688)
2025	(384)
Total	<u>\$ (811)</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLANS (CONTINUED)

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

**Actuarial Assumptions.** The total pension liability in the December 31, 2019 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, 2019 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, 2021, is 1.4%, including inflation.

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 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.

## NOTES TO FINANCIAL STATEMENTS

### 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:

	<b>1% Decrease (2.75%)</b>	<b>Discount Rate (3.75%)</b>	<b>1% Increase (4.75%)</b>
County's proportionate share of the net pension liability (asset)	\$ (15,123)	\$ (17,805)	\$ (20,074)

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) 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 (the "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 ACFR for the state of North Carolina. The State's ACFR 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.



## NOTES TO FINANCIAL STATEMENTS

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### 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, 2021, were \$39,684, which consisted of \$24,969 from the County and \$14,715 from the law enforcement officers.

### 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 (LGERS). Employees who are retiring with at least 20 years of 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, 2019, the date of the latest actuarial valuation:

Active participants	74
Retirees and beneficiaries currently receiving benefits	14
Total	<u>88</u>

**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, 2021, the County contributed \$86,824 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, 2020, as determined by an actuarial valuation as of June 30, 2019. The total OPEB liability determined by the June 30, 2019 actuarial valuation was then rolled-forward to the June 30, 2020 measurement date using standard actuarial procedures.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### Total OPEB Liability of the County (Continued)

Actuarial assumptions. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate:	3.50%
Healthcare cost trend rate:	7.00% to 4.50%, Ultimate Trend in 2026 (Pre-Medicare) 5.00% to 4.50%, Ultimate Trend in 2021 (Medicare)
Inflation rate:	2.50%
Real wage growth:	1.00%
Wage inflation:	3.50%
Salary increases:	3.50% to 7.35% (Law Enforcement Officers), including wage inflation 3.50% to 7.75% (General Employees and Firefighters), including wage 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 demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS Board.

**Discount Rate.** The discount rate used to measure the total OPEB liability was 2.21%, the rate was decreased from the discount rate of 3.50% 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 2.21% as determined by the Bond Buyer General Obligation 20-year Municipal Bond Index as of June 30, 2020.

## NOTES TO FINANCIAL STATEMENTS

### 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, 2021, were as follows:

	<b>Total OPEB Liability</b>
<b>Balances at June 30, 2020</b>	<u>\$ 3,723,763</u>
<b>Changes for the year:</b>	
Service cost	128,178
Interest	133,294
Differences between expected and actual experience	(486)
Assumption changes	1,093,833
Benefit payments	<u>(87,850)</u>
<b>Net changes</b>	<u>1,266,969</u>
<b>Balances at June 30, 2021</b>	<u><u>\$ 4,990,732</u></u>

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 (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	<u>1% Decrease (1.21%)</u>	<u>Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Total OPEB liability	\$ 6,147,109	\$ 4,990,732	\$ 4,111,386

**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 or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 4,003,108	\$ 4,990,732	\$ 6,327,818

## NOTES TO FINANCIAL STATEMENTS

### 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, 2021, 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, 2021, the County recognized OPEB expense of \$166,829. At June 30, 2021, 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	\$ 10,767	\$ (686,331)
Changes in assumptions	954,491	(508,528)
Benefits paid subsequent to measurement period	86,824	-
Total	<u>\$ 1,052,082</u>	<u>\$ (1,194,859)</u>

Benefits paid by the County subsequent to the measurement date of \$86,824 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ending June 30:</b>	
2022	\$ (81,025)
2023	(81,025)
2024	(81,025)
2025	(81,025)
2026	(43,788)
Thereafter	138,287
Total	<u>\$ (229,601)</u>

## NOTES TO FINANCIAL STATEMENTS

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### 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 12. COMMITMENTS AND CONTINGENCIES

**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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

**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.

### NOTE 13. JOINT VENTURES

The County participates in a joint venture to operate Perquimans-Chowan-Gates Regional Landfill (the “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 Landfill, so none was reflected in the County’s financial statements at June 30, 2021. The County will continue to pay 33% of the site’s operating costs and any capital outlay and administration cost. In accordance with the intergovernmental agreement between the participating governments, the County paid \$661,383 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 ARSWMA. Each participating government appoints two members to a 14-member board. The County has an ongoing financial responsibility for the joint venture because the ARSWMA’s existence depends on the participating governments continued funding. None of the participating governments have any equity interest in the ARSWMA, so none was reflected in the County’s financial statements at June 30, 2021. Complete financial statements for the ARSWMA 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.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 13. JOINT VENTURES (CONTINUED)**

The County participates with four other counties to operate the Albemarle Regional Library (the “Library”), which serves a four-County District. The 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, 2021. 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.

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, 2021. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$122,227 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 14. JOINTLY GOVERNED ORGANIZATIONS**

The County, in conjunction with nine other counties and 16 other municipalities, established the Albemarle Commission (the “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 \$8,466 to the Commission during the fiscal year ended June 30, 2021. Complete financial statements for the Commission can be obtained from the Albemarle Commission at Post Office Box 646, Hertford, NC 27944.

The County, in conjunction with other counties, participates in Trillium Health Resources, a local management entity for mental healthcare services. These entities provide mental health services to the residents of the participating counties through satellite offices. The County contributed \$31,146 to this organization during the fiscal year ended June 30, 2021.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 15. CHANGE IN ACCOUNTING PRINCIPLE

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

As part of implementing the statement, the County performed a comprehensive review of its fiduciary relationships and applied the criteria within the guidance. As a result, fund balance and net position were restated as follows:

Beginning net position, governmental activities, as previously reported	\$ 10,472,505
Cash received under the Social Security Administration's Representative Payee Program (net of liabilities owed for payments on behalf of beneficiaries) was reclassified out of agency funds previously reported by the County into a newly created special revenue fund. The portion of liabilities in the agency fund representing net cash available at the beginning of the year was restated as beginning net position of the County's governmental activities.	300
Beginning net position, governmental activities, as restated	<u>\$ 10,472,805</u>

Beginning fund balance, SSA Representative Payee Fund, as previously reported	\$ -
Cash received under the Social Security Administration's Representative Payee Program (net of liabilities owed for payments on behalf of beneficiaries) was reclassified out of agency funds previously reported by the County into a newly created special revenue fund. The portion of liabilities in the agency fund representing net cash available at the beginning of the year was restated as beginning fund balance of the newly created special revenue fund.	300
Beginning fund balance, SSA Representative Payee Fund, as restated	<u>\$ 300</u>



## **REQUIRED SUPPLEMENTARY INFORMATION**

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**GATES COUNTY, NORTH CAROLINA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**OPEB RETIREMENT PLAN**  
**SCHEDULE OF CHANGES IN THE COUNTY'S TOTAL OPEB LIABILITY**  
**AND RELATED RATIOS**  
**LAST FOUR FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost	\$ 128,178	\$ 196,506	\$ 210,776	\$ 242,984
Interest on total OPEB liability	133,294	170,249	156,015	138,268
Difference between expected and actual experience	(486)	(920,405)	5,311	14,055
Changes of assumptions and other inputs	1,093,833	(56,875)	(297,013)	(526,205)
Benefit payments	<u>(87,850)</u>	<u>(83,779)</u>	<u>(78,275)</u>	<u>(82,316)</u>
<b>Net change in total OPEB liability</b>	1,266,969	(694,304)	(3,186)	(213,214)
 <b>Total OPEB liability - beginning</b>	 <u>3,723,763</u>	 <u>4,418,067</u>	 <u>4,421,253</u>	 <u>4,634,467</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 4,990,732</u></u>	<u><u>\$ 3,723,763</u></u>	<u><u>\$ 4,418,067</u></u>	<u><u>\$ 4,421,253</u></u>
 <b>Covered-employee payroll</b>	 \$ 2,808,599	 \$ 2,808,599	 \$ 3,074,546	 \$ 3,074,546
 <b>Total OPEB liability as a percentage of covered-employee payroll</b>	 177.7%	 132.6%	 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**  
**LAST FOUR FISCAL YEARS**

**LAW ENFORCEMENT OFFICERS SPECIAL SEPARATION ALLOWANCE**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance of the total pension liability	\$ 142,680	\$ 188,078	\$ 186,983	\$ 167,183
Service Cost	10,135	8,970	11,037	10,060
Interest on the total pension liability	4,274	6,484	5,595	6,070
Difference between expected and actual experience	(16,604)	(44,268)	10,057	14,296
Changes of assumptions or other inputs	44,947	3,286	(5,724)	9,244
Benefit payments	(23,121)	(19,870)	(19,870)	(19,870)
Ending balance of the total pension liability	<u>\$ 162,311</u>	<u>\$ 142,680</u>	<u>\$ 188,078</u>	<u>\$ 186,983</u>

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 FOUR FISCAL YEARS**

**LAW ENFORCEMENT OFFICERS SPECIAL SEPARATION ALLOWANCE**

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 162,311	\$ 142,680	\$ 188,078	\$ 186,983
County's covered-employee payroll	\$ 519,948	\$ 438,501	\$ 473,835	\$ 455,307
Total pension liability as a percentage of covered-employee payroll	31.22%	32.54%	39.69%	41.07%

The 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 SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) LAST SEVEN FISCAL YEARS\*

### LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
County's proportion of the net pension liability (asset) (%)	0.04297%	0.04360%	0.04678%	0.04580%
County's proportion of the net pension liability (asset) (\$)	\$ 1,535,501	\$ 1,190,682	\$ 1,109,782	\$ 699,697
County's covered payroll	\$ 3,025,119	\$ 3,008,903	\$ 2,896,549	\$ 2,750,420
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	50.76%	39.57%	38.31%	25.44%
Plan fiduciary net position as a percentage of the total pension liability	88.61%	90.86%	91.63%	94.18%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	
County's proportion of the net pension liability (asset) (%)	0.04620%	0.04720%	-0.04500%	
County's proportion of the net pension liability (asset) (\$)	\$ 980,519	\$ 211,696	\$ (265,563)	
County's covered payroll	\$ 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	36.28%	8.23%	( 11.04%)	
Plan fiduciary net position as a percentage of the total pension liability	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 COUNTY'S CONTRIBUTIONS**  
**LAST SEVEN FISCAL YEARS**

**LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 301,010	\$ 292,029	\$ 233,190	\$ 221,586	\$ 202,740	\$ 182,772	\$ 186,050
Contributions in relation to the contractually required contribution	301,010	292,029	233,190	221,586	202,740	182,772	186,050
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 3,039,075	\$ 3,025,119	\$ 3,008,903	\$ 2,896,549	\$ 2,750,420	\$ 2,702,668	\$ 2,573,301
Contributions as a percentage of covered payroll	9.90%	9.65%	7.75%	7.65%	7.37%	6.76%	7.23%

## GATES COUNTY, NORTH CAROLINA

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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***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

### SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

#### LAST SEVEN FISCAL YEARS\*

#### REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
County's proportion of the net pension asset (%)	0.07769%	0.07464%	0.08974%	0.08709%
County's proportion of the net pension liability (asset) (\$)	\$ (17,805)	\$ (14,735)	\$ (14,864)	\$ (14,865)
County's covered payroll	\$ 72,770	\$ 73,800	\$ 69,546	\$ 42,450
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-24.47%	-19.97%	-21.37%	-35.02%
Plan fiduciary net position as a percentage of the total pension liability	173.62%	164.11%	153.31%	153.77%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	
County's proportion of the net pension asset (%)	0.09573%	0.09429%	0.99820%	
County's proportion of the net pension liability (asset) (\$)	\$ (17,898)	\$ (21,851)	\$ (22,616)	
County's covered payroll	\$ 42,242	\$ 41,206	\$ 41,206	
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-42.37%	-53.03%	-54.89%	
Plan fiduciary net position as a percentage of the total pension liability	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 COUNTY'S CONTRIBUTIONS

#### LAST SEVEN FISCAL YEARS

#### REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 848	\$ 744	\$ 757	\$ 768	\$ 757	\$ 782	\$ 755
Contributions in relation to the contractually required contribution	848	744	757	768	757	782	755
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 73,853	\$ 72,770	\$ 73,800	\$ 69,546	\$ 42,450	\$ 42,242	\$ 41,206
Contributions as a percentage of covered-employee payroll	1.15%	1.02%	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.

## GATES COUNTY, NORTH CAROLINA

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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***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**

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### **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.

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

**Illegal Substance Tax Fund**-accounts for the collection of taxes on illegal substances that are repossessed and then used by the Sherriff's Department to aid the fight against drug crime in the County.

**Representative Payee Fund**-accounts for funds received by the County under the Social Security's Representative Payee Program whereby the County manages funds for minor children and certain adults.

**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.

**Middle School Fund**-accounts for the financial resources used for the acquisition and construction of the County's new middle school.

# GATES COUNTY, NORTH CAROLINA

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2021

ASSETS	Special Revenue Funds					Capital Project Funds		Total Nonmajor Governmental Funds
	Emergency Telephone System	Fire Protection	Illegal Substance Tax	Representative Payee	Housing Rehab	Old Courthouse Restoration Project	Middle School	
Cash and cash equivalents	\$ 128,131	\$ 12,417	\$ 4,514	\$ 633	\$ -	\$ -	\$ -	\$ 145,695
Accounts receivable	11,873	-	-	-	-	-	-	11,873
Due from other governments	448	-	-	-	-	89	230	767
Total assets	<u>\$ 140,452</u>	<u>\$ 12,417</u>	<u>\$ 4,514</u>	<u>\$ 633</u>	<u>\$ -</u>	<u>\$ 89</u>	<u>\$ 230</u>	<u>\$ 158,335</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable and accrued liabilities	\$ 950	\$ 12,417	\$ -	\$ -	\$ -	\$ 89	\$ 230	\$ 13,686
Total liabilities	<u>950</u>	<u>12,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89</u>	<u>230</u>	<u>13,686</u>
<b>FUND BALANCES</b>								
Restricted:								
Stabilization by state statute	12,321	-	-	-	-	-	-	12,321
Public safety	127,181	-	4,514	-	-	-	-	131,695
Human services	-	-	-	633	-	-	-	633
Total fund balances	<u>139,502</u>	<u>-</u>	<u>4,514</u>	<u>633</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,649</u>
Total liabilities and fund balances	<u>\$ 140,452</u>	<u>\$ 12,417</u>	<u>\$ 4,514</u>	<u>\$ 633</u>	<u>\$ -</u>	<u>\$ 89</u>	<u>\$ 230</u>	<u>\$ 158,335</u>

**GATES COUNTY, NORTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Special Revenue Funds					Capital Project Funds		Total Nonmajor Governmental Funds
	Emergency Telephone System	Fire Protection	Illegal Substance Tax	Representative Payee	Housing Rehab	Old Courthouse Restoration Project	Middle School	
<b>REVENUES</b>								
Charges for services	\$ 142,470	\$ 252,778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 395,248
Intergovernmental revenues	-	-	1,560	11,988	73,641	-	-	87,189
Investment earnings	92	-	-	-	-	-	116	208
Miscellaneous	-	-	500	-	-	-	-	500
Total revenues	142,562	252,778	2,060	11,988	73,641	-	116	483,145
<b>EXPENDITURES</b>								
Public safety	63,036	252,778	125	-	-	-	-	315,939
Economic development	-	-	-	-	73,641	-	-	73,641
Human services	-	-	-	11,655	-	-	-	11,655
Capital outlay	-	-	-	-	-	1,097	269,355	270,452
Total expenditures	63,036	252,778	125	11,655	73,641	1,097	269,355	671,687
Excess (deficiency) of revenues over (under) expenditures	79,526	-	1,935	333	-	(1,097)	(269,239)	(188,542)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	42,578	-	-	-	-	-	-	42,578
Transfers out	-	-	-	-	-	(32,436)	(221,494)	(253,930)
Total other financing sources (uses)	42,578	-	-	-	-	(32,436)	(221,494)	(211,352)
Net change in fund balances	122,104	-	1,935	333	-	(33,533)	(490,733)	(399,894)
<b>FUND BALANCES, beginning of year, as restated</b>	17,398	-	2,579	300	-	33,533	490,733	544,543
<b>FUND BALANCES, end of year</b>	\$ 139,502	\$ -	\$ 4,514	\$ 633	\$ -	\$ -	\$ -	\$ 144,649

## MAJOR FUNDS BUDGET SCHEDULES

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# 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, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
<b>Ad valorem taxes:</b>				
Property taxes	\$ 7,324,838	\$ 7,324,838	\$ 7,701,989	\$ 377,151
Total ad valorem taxes	7,324,838	7,324,838	7,701,989	377,151
<b>Sales tax:</b>				
Local option sales tax	2,278,189	3,034,667	3,488,508	453,841
<b>Intergovernmental revenues:</b>				
Beer and wine tax	50,580	50,580	48,645	(1,935)
Federal and State grants	1,781,274	2,078,655	1,935,680	(142,975)
ABC Revenue	5,500	5,500	7,146	1,646
Total intergovernmental revenues	1,837,354	2,134,735	1,991,471	(143,264)
<b>Charges for services:</b>				
Other charges	110,469	110,469	106,157	(4,312)
Total charges for services	110,469	110,469	106,157	(4,312)
<b>Investment earnings</b>	9,000	9,000	13,564	4,564
<b>Licenses, permits and fees:</b>				
Privilege licenses	157,450	173,037	176,591	3,554
Franchise fees	1,600	1,600	1,169	(431)
Total licenses, permits and fees	159,050	174,637	177,760	3,123
<b>Miscellaneous revenues:</b>				
Other	-	9,004	33,552	24,548
Total miscellaneous revenues	-	9,004	33,552	24,548
<b>Total revenues</b>	11,718,900	12,797,350	13,513,001	715,651

*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, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current:</b>				
<b>General Government:</b>				
Governing body	\$ 80,322	\$ 92,574	\$ 89,924	\$ 2,650
Board of elections	137,288	239,525	237,492	2,033
Finance and administrative services	475,864	563,454	513,791	49,663
Customer service	4,665	4,800	3,782	1,018
Tax administration	317,450	317,585	284,931	32,654
Court facilities	20,000	20,000	18,004	1,996
Legal	20,000	20,000	19,650	350
Register of deeds	128,887	157,823	127,567	30,256
Buildings and grounds	404,063	430,800	397,304	33,496
Total	1,588,539	1,846,561	1,692,445	154,116
<b>Public Safety:</b>				
Sheriff	1,027,355	1,183,155	1,157,269	25,886
Emergency management	498,850	521,857	521,575	282
Jail	270,000	229,500	203,283	26,217
Fire protection	90,310	90,310	83,139	7,171
Building inspector	154,774	154,696	149,974	4,722
Medical examiner	10,000	10,000	2,950	7,050
Rescue squad	812,000	812,000	812,000	-
Animal control	66,187	62,420	63,859	(1,439)
Total	2,929,476	3,063,938	2,994,049	69,889
<b>Human Services:</b>				
Health	152,227	152,227	153,373	(1,146)
Social services administration	1,353,523	1,369,656	1,313,657	55,999
Special assistance for adults	125,000	125,000	100,897	24,103
Medical assistance	3,000	3,000	282	2,718
Special service services	124,848	172,689	127,509	45,180
Special appropriations	95,547	95,547	94,197	1,350
Total	1,854,145	1,918,119	1,789,915	128,204
<b>Education:</b>				
Current expenditures	2,808,000	2,808,000	2,808,000	-
College of Albemarle expenditures	6,000	6,000	6,000	-
Total	2,814,000	2,814,000	2,814,000	-
<b>Economic Development:</b>				
Planning and zoning	153,450	190,437	182,446	7,991
Soil and water conservation	95,866	118,174	98,462	19,712
Cooperative extension service	300,087	303,227	230,503	72,724
GITS	582,706	717,188	443,324	273,864
Total	1,132,109	1,329,026	954,735	374,291

*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, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Culture and Recreation:</b>				
Libraries	\$ 98,100	\$ 98,100	\$ 98,100	\$ -
Recreation	231,575	231,575	231,575	-
Total	329,675	329,675	329,675	-
<b>Debt Service:</b>				
Principal	922,923	922,534	922,533	1
Interest	331,858	340,257	340,255	2
Total	1,254,781	1,262,791	1,262,788	3
Total expenditures	11,902,725	12,564,110	11,837,607	726,503
Excess of revenues over expenditures	(183,825)	233,240	1,675,394	1,442,154
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	17,000	17,000	20,553	3,553
Transfers in	977,820	1,204,111	1,204,111	-
Transfers out	(878,978)	(907,408)	(993,881)	(86,473)
Appropriation (reserve) of fund balance	67,983	(546,943)	-	546,943
Total other financing sources (uses)	183,825	(233,240)	230,783	464,023
Net change in fund balances	-	-	1,906,177	1,906,177
<b>Fund balance, beginning of year</b>	4,031,078	4,031,078	4,031,078	-
<b>Fund balance, end of year</b>	<u>\$ 4,031,078</u>	<u>\$ 4,031,078</u>		<u>\$ 1,906,177</u>
<b>Reconciliation to GAAP statements:</b>				
Beginning fund balance, Register of Deeds Automation Fund			14,621	
Change in fund balance in Register of Deeds Automation Fund			4,966	
Beginning fund balance, Transit Fund			48,201	
Beginning fund balance, Revaluation Fund			237,715	
Change in fund balance in Revaluation Fund			36,298	
<b>Fund balance, General Fund</b>			<u>\$ 6,279,056</u>	

# GATES COUNTY, NORTH CAROLINA

## REGISTER OF DEEDS AUTOMATION FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Permits and fees	\$ 5,000	\$ 5,000	\$ 4,923	\$ (77)
Investment earnings	-	-	43	43
Total revenues	5,000	5,000	4,966	(34)
<b>Expenditures</b>				
<b>General government</b>				
Capital outlay	5,000	5,000	-	5,000
Total expenditures	5,000	5,000	-	5,000
Net change in fund balances	-	-	4,966	4,966
<b>Fund balance, beginning of year</b>	14,621	14,621	14,621	-
<b>Fund balance, end of year</b>	\$ 14,621	\$ 14,621	\$ 19,587	\$ 4,966

# 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, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
Education	\$ 200,000	\$ 200,000	\$ 200,000	\$ -
General government				
Capital outlay	34,500	18,800	7,500	11,300
Total expenditures	234,500	218,800	207,500	11,300
<b>Other financing sources</b>				
Transfers in	234,500	218,800	207,500	11,300
Net change in fund balances	-	-	-	-
<b>Fund balance, beginning of year</b>	-	-	-	-
<b>Fund balance, end of year</b>	\$ -	\$ -	\$ -	\$ -

# 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, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 43	\$ 43
Total revenues	-	-	43	43
<b>Expenditures</b>				
<b>General Government</b>				
Revaluation	-	-	-	-
Total expenditures	-	-	-	-
<b>Other financing sources (uses)</b>				
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	-	-	36,298	36,298
<b>Fund balance, beginning of year</b>	-	-	237,715	237,715
<b>Fund balance, end of year</b>	\$ -	\$ -	\$ 274,013	\$ 274,013

# 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, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Investment earnings	\$ -	\$ -	\$ 207	\$ 207
Excess of revenues over expenditures	-	-	207	207
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	608,223	716,818	816,142	99,324
Transfers out	-	(584,730)	(584,730)	-
Increase in fund balance	(608,223)	(132,088)	-	132,088
Total other financing sources (uses)	-	-	231,412	231,412
Net change in fund balances	-	-	231,619	231,619
Fund balance, beginning of year	1,546,891	1,546,891	1,546,891	-
Fund balance, end of year	\$ 1,546,891	\$ 1,546,891	\$ 1,778,510	\$ 231,619

# 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, 2021

	Budget			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Charges for services	\$ 142,471	\$ 142,471	\$ 142,470	\$ (1)
Investment earnings	-	-	92	92
Total revenues	142,471	142,471	142,562	91
<b>EXPENDITURES</b>				
Public safety	149,180	193,440	63,036	130,404
Excess (deficiency) of revenues over (under) expenditures	(6,709)	(50,969)	79,526	130,495
<b>OTHER FINANCING SOURCES</b>				
Appropriation of fund balance	6,709	6,839	-	(6,839)
Transfers in	-	44,130	42,578	(1,552)
Total other financing sources	6,709	50,969	42,578	(8,391)
Net change in fund balances	-	-	122,104	122,104
Fund balance, beginning of year	17,398	17,398	17,398	-
Fund balance, end of year	\$ 17,398	\$ 17,398	\$ 139,502	\$ 122,104

# 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, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Fire protection fees	\$ 260,000	\$ 260,000	\$ 252,778	\$ (7,222)
Total revenues	260,000	260,000	252,778	(7,222)
<b>EXPENDITURES</b>				
Public safety	260,000	260,000	252,778	7,222
Total expenditures	260,000	260,000	252,778	7,222
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

# GATES COUNTY, NORTH CAROLINA

## ILLEGAL SUBSTANCE TAX FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 700	\$ 1,560	\$ 860
Miscellaneous	-	500	500	-
Total revenues	-	1,200	2,060	860
<b>EXPENDITURES</b>				
Public safety	-	1,200	125	1,075
Total expenditures	-	1,200	125	1,075
Net change in fund balances	-	-	1,935	1,935
Fund balance, beginning of year	2,579	2,579	2,579	-
Fund balance, end of year	\$ 2,579	\$ 2,579	\$ 4,514	\$ 1,935



# GATES COUNTY, NORTH CAROLINA

## REPRESENTATIVE PAYEE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 12,100	\$ 11,988	\$ (112)
Total revenues	-	12,100	11,988	(112)
<b>EXPENDITURES</b>				
Human services	-	12,100	11,655	445
Total expenditures	-	12,100	11,655	445
Net change in fund balances	-	-	333	333
Fund balance, beginning of year, as restated	300	300	300	-
Fund balance, end of year	\$ 300	\$ 300	\$ 633	\$ 333

# GATES COUNTY, NORTH CAROLINA

## HOUSING REHAB FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 73,641	\$ 73,641	\$ -
Total revenues	-	73,641	73,641	-
<b>EXPENDITURES</b>				
Economic development	-	73,641	73,641	-
Total expenditures	-	73,641	73,641	-
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

# 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, 2021

	Project	Actual		
	Authorization	Prior Years	Current Year	Total
<b>REVENUES</b>				
Intergovernmental	\$ 2,500,000	\$ 2,500,000	\$ -	\$ 2,500,000
Investment earnings	206,800	206,684	116	206,800
Total revenues	<u>2,706,800</u>	<u>2,706,684</u>	<u>116</u>	<u>2,706,800</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>10,906,800</u>	<u>9,788,171</u>	<u>269,355</u>	<u>10,057,526</u>
Deficiency of revenues (under) expenditures	(8,200,000)	(7,081,487)	(269,239)	(7,350,726)
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of long-term debt	8,200,000	8,200,000	-	8,200,000
Transfers out	<u>-</u>	<u>(627,780)</u>	<u>(221,494)</u>	<u>(849,274)</u>
Total other financing sources (uses)	<u>8,200,000</u>	<u>7,572,220</u>	<u>(221,494)</u>	<u>7,350,726</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 490,733</u>	<u>(490,733)</u>	<u>\$ -</u>
<b>Fund balance, beginning of year</b>			<u>490,733</u>	
<b>Fund balance, end of year</b>			<u>\$ -</u>	

# 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, 2021

	Project		Actual	
	Authorization	Prior Years	Current Year	Total
<b>REVENUES</b>				
Miscellaneous donations	\$ 72,508	\$ 72,508	\$ -	\$ 72,508
Total revenues	72,508	72,508	-	72,508
<b>EXPENDITURES</b>				
Old courthouse restoration	1,111,701	1,078,168	1,097	1,079,265
Total expenditures	1,111,701	1,078,168	1,097	1,079,265
Deficiency of revenues (under) expenditures	(1,039,193)	(1,005,660)	(1,097)	(1,006,757)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,039,193	1,039,193	-	1,039,193
Transfers out	-	-	(32,436)	(32,436)
Total other financing sources (uses)	1,039,193	1,039,193	(32,436)	1,006,757
Net change in fund balance	\$ -	\$ 33,533	(33,533)	\$ -
<b>Fund balance, beginning of year</b>			33,533	
<b>Fund balance, end of year</b>			\$ -	

## **PROPRIETARY FUNDS**

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# 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, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Transfer fees	\$ 924,600	\$ 924,600	\$ 967,910	\$ 43,310
Intergovernmental	-	1,767	2,303	536
Other operating	31,800	31,800	44,846	13,046
Investment earnings	10	10	1,045	1,035
Total revenues	956,410	958,177	1,016,104	57,927
<b>EXPENDITURES</b>				
Administration	956,410	958,177	953,210	4,967
Total expenditures	956,410	958,177	953,210	4,967
Net change in fund balance	\$ -	\$ -	62,894	\$ 52,960
Adjustments to full accrual:				
Depreciation expense			(560)	
Change in net position - GAAP Basis			\$ 62,334	

# 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, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 1,212,000	\$ 1,212,000	\$ 1,103,758	\$ (108,242)
Investment earnings	5,000	5,000	6,348	1,348
Miscellaneous	35,500	35,500	81,525	46,025
Total revenues	1,252,500	1,252,500	1,191,631	(60,869)
<b>EXPENDITURES</b>				
Water operations	1,191,800	1,192,700	844,976	347,724
Sewer operations	60,700	183,179	20,292	162,887
Total expenditures	1,252,500	1,375,879	865,268	510,611
Excess (deficiency) of revenues over (under) expenditures	-	(123,379)	326,363	449,742
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	123,379	123,377	(2)
Net change in fund balance	\$ -	\$ -	449,740	\$ 449,740
Adjustments to full accrual:				
Change in total OPEB liability and related deferrals			(289,908)	
Change in net pension liability and related deferrals			(18,650)	
Change in compensated absences			8,125	
Depreciation expense			(278,387)	
Change in net position - Waste Water Treatment Capital Project			(268,047)	
Change in net position - GAAP Basis			\$ (397,127)	

# GATES COUNTY, NORTH CAROLINA

## WASTEWATER TREATMENT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BASIS) PROJECT LIFE AS OF JUNE 30, 2021

	Project		Actual	
	Authorization	Prior Years	Current Year	Total
<b>REVENUES</b>				
Restricted intergovernmental	\$ 2,129,535	\$ 2,129,535	\$ -	\$ 2,129,535
Total expenditures	2,129,535	2,129,535	-	2,129,535
<b>EXPENDITURES</b>				
Capital outlay	5,583,003	4,860,522	-	4,860,522
Total expenditures	5,583,003	4,860,522	-	4,860,522
Deficiency of revenues (under) expenditures	(3,453,468)	(2,730,987)	-	(2,730,987)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,453,468	3,453,466	-	3,453,466
Transfers out	-	(454,432)	(268,047)	(722,479)
Total other financing sources (uses)	3,453,468	2,999,034	(268,047)	2,730,987
Net change in fund balance	\$ -	\$ 268,047	(268,047)	\$ -
<b>Fund balance, beginning of year</b>			268,047	
<b>Fund balance, end of year</b>			\$ -	



## **CUSTODIAL FUNDS**

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# GATES COUNTY, NORTH CAROLINA

## COMBINING STATEMENT OF FIDUCIARY NET POSITION CUSTODIAL FUNDS JUNE 30, 2021

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	<u>Town of Gatesville</u>	<u>Emergency Medical Services</u>	<u>Total Custodial Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ 4,667</u>	<u>\$ -</u>	<u>\$ 4,667</u>
Total assets	<u><u>\$ 4,667</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,667</u></u>
<b>LIABILITIES</b>			
Accounts payable	<u>\$ 4,667</u>	<u>\$ -</u>	<u>\$ 4,667</u>
Total liabilities	<u><u>\$ 4,667</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,667</u></u>

# GATES COUNTY, NORTH CAROLINA

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION CUSTODIAL FUNDS FOR THE YEAR ENDED JUNE 30, 2021

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	Town of Gatesville	Emergency Medical Services	Total Custodial Funds
<b>ADDITIONS</b>			
Tax collections for Town of Gatesville	\$ 71,710	\$ -	\$ 71,710
EMS insurance reimbursements	-	624,442	624,442
Total additions	71,710	624,442	696,152
<b>DEDUCTIONS</b>			
Remittances to Town of Gatesville	71,710	-	71,710
Remittances to Gates County Rescue Squad	-	624,442	624,442
Total deductions	71,710	624,442	696,152
Change in net position	-	-	-
<b>NET POSITION, beginning of year</b>	-	-	-
<b>NET POSITION, end of year</b>	\$ -	\$ -	\$ -

## PROPERTY TAX SCHEDULES

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# GATES COUNTY, NORTH CAROLINA

## SCHEDULE OF AD VALOREM TAXES RECEIVABLE JUNE 30, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 7,647,758	\$ 7,438,973	\$ 208,785
2019-2020	256,929	157	166,881	90,205
2018-2019	101,255	-	42,286	58,969
2017-2018	52,808	-	11,300	41,508
2016-2017	38,268	-	7,387	30,881
2015-2016	28,477	-	4,284	24,193
2014-2015	24,671	-	3,081	21,590
2013-2014	26,540	-	2,703	23,837
All prior	66,719	-	21,176	45,543
	<u>\$ 595,667</u>	<u>\$ 7,647,915</u>	<u>\$ 7,698,071</u>	545,511
Less: allowance for uncollectible accounts - General Fund				<u>(240,214)</u>
Ad valorem taxes receivable - net				<u>\$ 305,297</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 7,701,989
Reconciling items:				
Less 60 day collections				(29,877)
Interest and penalties				(62,627)
Miscellaneous adjustments				88,586
Total collections and credits				<u>\$ 7,698,071</u>

# GATES COUNTY, NORTH CAROLINA

## ANALYSIS OF CURRENT TAX LEVY COUNTY-WIDE LEVY JUNE 30, 2021

				Total Levy	
	County-wide			Property excluding	
	Property Valuation	Rate	Total Levy	Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 966,276,622	0.0079	\$ 7,633,585	\$ 6,699,189	\$ 934,396
Discoveries:					
Current year tax	3,725,286	0.0079	29,430	29,430	-
Total	<u>970,001,908</u>		<u>7,663,015</u>	<u>6,728,619</u>	<u>934,396</u>
Adjustments	(1,931,224)	0.0079	(15,257)	(15,257)	-
Total property valuation	<u>\$ 968,070,684</u>				
Net levy			7,647,758	6,713,362	934,396
Uncollected taxes at June 30, 2021			<u>(208,785)</u>	<u>(208,785)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 7,438,973</u>	<u>\$ 6,504,577</u>	<u>\$ 934,396</u>
Current levy collection percentage			<u>97.27%</u>	<u>96.89%</u>	<u>100.00%</u>

## COMPLIANCE SECTION

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## 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*

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To the Board of Commissioners  
Gates County, North Carolina  
Gatesville, 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, 2021, and the related notes to the financial statements which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 6, 2022. 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*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Gates County ABC Board or that are reported on separately by those auditors who audited the financial statements of the Gates County ABC Board.

### 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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**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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina  
January 6, 2022



## 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

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To the Board of Commissioners  
Gates County, North Carolina  
Gatesville, 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, 2021. 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 (CFR) 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.

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***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, 2021.

**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.

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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*

Columbia, South Carolina  
January 6, 2022

# GATES COUNTY, NORTH CAROLINA

## SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Expenditures	
			Federal	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	\$ 158,558	\$ -
Supplemental Nutrition Assistance Program Cluster			158,558	-
Total U.S. Department of Agriculture			158,558	-
U.S. Department of Transportation:				
Passed through North Carolina Department of Transportation				
Transit Services Cluster:				
Federal Transit - EDTAP Operating	20.513	21-ED-067	15,822	-
Total Transit Services Cluster			15,822	-
Federal Transit Cluster:				
Formula Grants for Rural Areas	20.509	21-CT-067	97,426	6,087
COVID-19 Coronavirus Aid, Relief and Economic Security (CARES) Act Program	20.509	21-CA-067	162,378	-
COVID-19 Coronavirus Aid, Relief and Economic Security (CARES) Act Program	20.509	36233.43.19.1	357	-
Federal Transit - Capital	20.526	21-39-067	56,469	7,058
Total Federal Transit Cluster			316,630	13,145
Total U.S. Department of Transportation			332,452	13,145
U.S. Department of Homeland Security				
Passed through North Carolina Department of Crime Control and Public Safety				
Homeland Security Grant Program (HSGP)				
	97.067	EMA-2018-SS-00053	5,000	-
Emergency Management Performance Grant	97.042	EMA-2021-EP-00002-S01	16,655	-
Emergency Management Performance Grant	97.042	EMA-2021-EP-00007-S01	22,722	-
			39,377	-
Total U.S. Department of Homeland Security			44,377	-
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	79,239	-
Total Child Care Development Cluster			79,239	-
Temporary Assistance for Needy Families:				
TANF - Work First Administration	93.558	WCA375	19,136	-
TANF - Work First Service	93.558	WCA375	69,180	-
Total Temporary Assistance for Needy Families Cluster			88,316	-
Foster Care Program:				
Foster Care Title IV-E	93.658	WCA375	7,577	4,210
Total Foster Care			7,577	4,210
Medicaid:				
Adult Care Home Case Management	93.778	WCA375	8,006	1,046
State County Special Assistance	93.778	WCA375	22,010	-
Medical Assistance - Administration	93.778	WCA375	404,866	-
Medical Transportation Services	93.778	WCA375	43,217	-
Total Medicaid Cluster			478,099	1,046
Social Services Block Grant:				
Social Services Block Grant	93.667	WCA375	10,428	-
Social Services Block Grant - Family Planning	93.667	WCA375	76	-
Social Services Block Grant - Other Services	93.667	WCA375	79,712	-
Total Social Services Block Grant			90,216	-
Low-income Home Energy Assistance Program:				
Crisis Intervention Payments	93.568	WCA375	17,386	-
Low-income Energy Administration	93.568	WCA375	100,136	-
Low-income Energy Assistance	93.568	WCA375	7,971	-
Total Low-Income Home Energy Assistance Grant			125,493	-
Permanency Planning - Service & Admin	93.645	WCA375	948	-
Child Support Enforcement Program:				
IV-D Administration	93.563	WCA375	139,888	-
Total Child Support Enforcement Grant			139,888	-
Children's Health Insurance Program (CHIP):				
North Carolina Health Choice	93.767	WCA375	15,398	(575)
Total Child Support Enforcement Grant			15,398	(575)
Total U.S. Department of Health and Human Services			1,025,174	4,681

(Continued)

# GATES COUNTY, NORTH CAROLINA

## SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Expenditures	
			Federal	State
Federal Awards (Continued):				
U.S. Department of Housing and Urban Development				
Passed through North Carolina Housing Finance Agency				
Essential Single-family Rehabilitation Loan Pool - Disaster Recovery Funding	14.239	M15-SG370100	\$ 51,636	\$ -
Passed through North Carolina Department of Commerce				
Community Development Block Grants	14.239	M15-SG370100	22,005	-
Total U.S. Department of Housing and Urban Development			73,641	-
U.S. Election Assistance Commission				
Passed through North Carolina State Board of Elections				
COVID-19 CARES Act (Initial Grant)	90.404	03-25-37	41,532	-
COVID-19 CARES Act (Supplemental Grant)	90.404	n/a	11,800	-
2020 HAVA Grant	90.404	NC20101001-37	10,000	-
Total U.S. Election Assistance Commission			63,332	-
U.S. Department of Treasury				
Passed through North Carolina Pandemic Recovery Office				
COVID-19 Coronavirus Relief Funds	21.019	02-37	455,067	-
Total U.S. Department of Treasury			455,067	-
TOTAL FEDERAL AWARDS			2,152,601	17,826
State Awards:				
North Carolina Department of Health and Human Services:				
Division of Social Services:				
CWS Adoption Subsidy and Vendor			-	13,667
Total Division of Social Services			-	13,667
Total North Carolina Department of Health and Human Services			-	13,667
North Carolina Department of Public Safety				
Criminal Justice Partnership		737-10497	-	35,791
Genesis - JCPC Tutoring/Academic Enhancement		737-10132	-	38,165
Total North Carolina Department of Public Safety			-	73,956
Local Emergency Planning Program				
Local Emergency Planning Committee (LEPC)		TIER II-2018	-	1,000
Total Local Emergency Planning Program			-	1,000
North Carolina Community Foundation, Inc.				
Election Administration Assistance Fund		49417	-	11,000
Total North Carolina Community Foundation			-	11,000
North Carolina Department of Agriculture & Consumer Services				
Soil & Water Conservation		17-175-4011	-	4,900
Surry Nuclear Power Plant			-	700
Scrap Tire Disposal			-	17,277
Total North Carolina Department of Agriculture & Consumer Services			-	22,877
TOTAL STATE AWARDS			-	122,500
TOTAL FEDERAL AND STATE AWARDS			\$ 2,152,601	\$ 140,326

## GATES COUNTY, NORTH CAROLINA

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2021

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#### NOTE 1. BASIS OF PRESENTATION AND ACCOUNTING

The accompanying Schedule of Expenditures of Federal and State Awards (the "Schedule") 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* (CFR) 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.

**GATES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**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? \_\_\_\_\_ yes   X   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
21.019	COVID-19 Coronavirus Relief Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

**State Awards**

An audit of major programs for State of North Carolina awards was not performed as the County's total expenditures of state funds did not exceed the \$500,000 threshold.



**GATES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

**SECTION III**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**GATES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**2020-001      General Ledger Maintenance – Capital Asset Reporting**

**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. With regard to capital assets, the Water Fund of the County is an enterprise fund and thus capital assets should be accounted for on the accrual basis of accounting which includes properly capitalizing items to the statement of net position and recording annual depreciation expense on those assets, as required by generally accepted accounting principles (GAAP).

**Condition:** The County's reviews and manual adjustments were not sufficient to detect, correct, and prevent material misstatements in the reporting of the Water Fund's capital assets.

**Status:** Resolved.