

**GATES COUNTY, NORTH CAROLINA**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2020**

**Prepared by:  
Department of Finance**

**Submitted by:  
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Interim County Manager**

**GATES COUNTY, NORTH CAROLINA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2020**

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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**

### **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, 2020, 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, 2020, 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 66, 67, 68, 69, 70, 71, 72, 73 and 74, 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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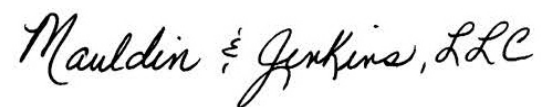
*Other Information*

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 26, 2021, 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 26, 2021

## Management's Discussion and Analysis

As management of Gates County (the "County"), we offer readers of Gates County's financial statements this narrative overview and analysis of the financial activities of Gates County for the fiscal year ended June 30, 2020. 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 \$20,488,101 (*net position*).
- The County's total net position increased by \$1,953,727.
- As of the close of the current fiscal year, Gates County's total governmental funds reported combined ending fund balances of \$6,422,749, a decrease of \$3,492,607, from the June 30, 2019 fund balance.
- At the end of the current fiscal year, total fund balance for the General Fund was \$4,331,615, an increase of \$1,157,355 from the June 30, 2019 balance; \$252,336 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 \$1,243,362 of the fund balance is restricted by the State Stabilization Requirements.

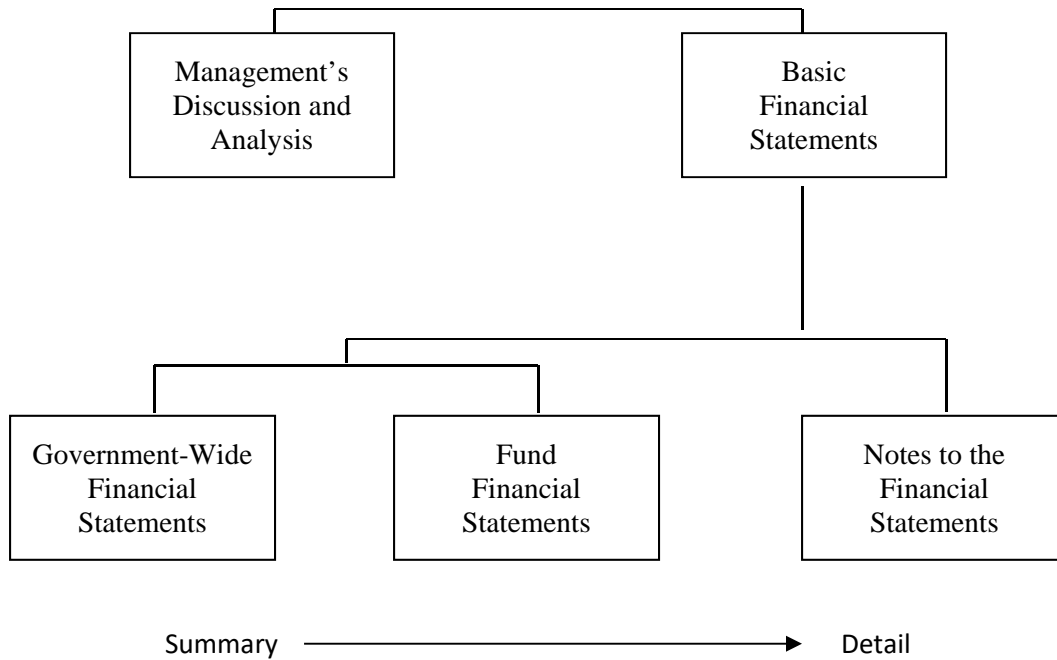
### Overview of the Financial Statements

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



## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

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

Following the notes is the required 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 Gates County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Gates County is improving or deteriorating.

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

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

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

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

## **Fund Financial Statements**

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

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

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

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

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

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

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

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

## Government-Wide Financial Analysis

### Gates County's Net Position

**Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 7,417,435	\$ 10,753,161	\$ 2,794,139	\$ 3,046,969	\$ 10,211,574	\$ 13,800,130
Capital assets	17,827,276	12,791,270	8,354,572	8,382,691	26,181,848	21,173,961
Total assets	25,244,711	23,544,431	11,148,711	11,429,660	36,393,422	34,974,091
Total deferred outflows of resources	760,241	891,574	80,183	86,499	840,424	978,073
Long-term liabilities	12,517,095	15,399,977	768,230	669,081	13,285,325	16,069,058
Other liabilities	1,726,056	389,861	190,330	242,991	1,916,386	632,852
Total liabilities	14,243,151	15,789,838	958,560	912,072	15,201,711	16,701,910
Total deferred inflows of resources	1,289,296	633,202	254,738	82,678	1,544,034	715,880
Net position:						
Net investment in capital assets	17,115,662	9,864,462	8,354,572	8,382,691	25,470,234	18,247,153
Restricted	3,586,832	2,433,643	-	-	3,586,832	2,433,643
Unrestricted	(10,229,989)	(4,285,140)	1,661,024	2,138,718	(8,568,965)	(2,146,422)
Total net position	\$ 10,472,505	\$ 8,012,965	\$ 10,015,596	\$ 10,521,409	\$ 20,488,101	\$ 18,534,374

As noted earlier, net position, over time, may serve as a useful indicator of a government's financial position. For Gates County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,488,101 at the close of the most recent fiscal year. The County's net position increased by \$1,953,727 for the fiscal year ended June 30, 2020.

One of the largest portions of Gates County's net position reflects the County's net investment in capital assets (e.g., land, buildings, machinery and equipment). The County reported net investment in capital assets of \$25,470,234, which represents 124% of the County's total net position. Gates County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Gates County's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to repay these liabilities.

At the end of the current fiscal year, Gates County is reporting unrestricted net position in the amount of (\$8,568,965) for the government as a whole. It should be noted that the County is carrying roughly \$7.4 million in debt related to schools. Schools are not recorded as assets on the County's books; they are recorded as assets by the Board of Education.

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

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program revenues						
Charges for services	\$ 688,171	\$ 691,779	\$ 2,302,842	\$ 4,133,091	\$ 2,991,013	\$ 4,824,870
Operating grants and contributions	2,116,710	4,121,203	-	-	2,116,710	4,121,203
Capital grants and contributions	363,238	362,603	27,620	-	390,858	362,603
General revenues						
Property taxes	7,477,910	7,160,355	-	-	7,477,910	7,160,355
Local option sales tax	3,011,725	2,755,775	-	-	3,011,725	2,755,775
Other taxes	-	-	-	-	-	-
Other items	69,695	-	-	30,957	69,695	30,957
Interest earnings	69,604	169,149	16,339	21,430	85,943	190,579
Total revenues	13,797,053	15,260,864	2,346,801	4,185,478	16,143,854	19,446,342
Expenses						
General government	1,768,215	1,544,241	-	-	1,768,215	1,544,241
Public safety	2,939,873	2,436,700	-	-	2,939,873	2,436,700
Human services	2,135,415	2,201,393	-	-	2,135,415	2,201,393
Education	2,864,000	2,734,229	-	-	2,864,000	2,734,229
Economic and physical development	1,305,560	1,339,741	-	-	1,305,560	1,339,741
Culture and recreation	424,793	370,224	-	-	424,793	370,224
Interest on long-term debt	354,089	370,975	-	-	354,089	370,975
Landfill	-	-	929,463	844,123	929,463	844,123
Water	-	-	1,468,719	1,684,584	1,468,719	1,684,584
Total expenses	11,791,945	10,997,503	2,398,182	2,528,707	14,190,127	13,526,210
Increase (decrease) before transfers	2,005,108	4,263,361	(51,381)	1,656,771	1,953,727	5,920,132
Transfers	454,432	(18,440)	(454,432)	18,440	-	-
Change in net position	2,459,540	4,244,921	(505,813)	1,675,211	1,953,727	5,920,132
Net position, beginning	8,012,965	3,768,044	10,521,409	8,991,257	18,534,374	12,759,301
Restatements	-	-	-	(145,059)	-	(145,059)
Net position, ending	\$ 10,472,505	\$ 8,012,965	\$ 10,015,596	\$ 10,521,409	\$ 20,488,101	\$ 18,534,374

**Governmental Activities.** Governmental activities increased the County's net position by \$2,459,540. Key elements of this increase are as follows:

- Increases in the transfers from business-type activities to the General Fund. The transfers into the General fund increased to \$454,432 in the fiscal year ended June 30, 2020.
- An increase in property taxes of \$317,555 over fiscal year 2019.
- An increase in local option sales tax totaling \$255,950 over fiscal year 2019.

**Business-type Activities.** Business-type activities decreased Gates County's net position by \$505,813. This decrease is predominantly driven by two contributing factors: (1) a slight increase in Landfill expenses during the current year and (2) all grant reimbursements for the Wastewater Project were received in fiscal year 2019.

## Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, Gates County's governmental funds reported combined ending fund balances of \$6,422,749, a decrease of \$3,492,607 in comparison with 2019. This decrease is predominantly driven by two contributing factors: (1) a decrease in transfers to the General Fund and (2) the majority of the grant reimbursement from the Needs Based Grant for the Middle School project was received in fiscal year 2019.

The General Fund is the principal operating fund of Gates County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,546,227 while total fund balance for the General Fund was \$4,331,615. 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 21.66% of total General Fund expenditures (excluding transfers), while total fund balance represents 36.84% of that same amount. Available unassigned fund balance, which is total fund balance less non-spendable fund balance and less stabilization by State statute amounts, totaled \$1,243,362 for the General Fund.

The Middle School Fund is used for the construction and retro-fitting of Central Middle School. The Fund is used to account for the restricted loan proceeds which are restricted to use on the school district improvements. The decrease in fund balance in the current year of \$5,202,150 is caused by the use of bond proceeds (issued in 2019) for the capital project. At the end of the current year, the fund reports restricted fund balance of \$490,733.

The School Capital Outlay Fund is used to account for financial resources set aside for school district capital improvements. A budgeted transfer from the General Fund in the amount of \$676,392 leaves restricted fund balance of \$1,546,891 to be used on projects in future years.

The COVID-19 Relief Fund was created by the County in the current fiscal year to account for the Coronavirus Relief Funds (CRF) received from the State of North Carolina. The County received its Phase 1 allocation in the amount of \$438,118 and of that amount, only \$207,445 was expended during the year ended June 30, 2020. The County reports the remaining amount of \$230,673 as unearned revenue as required by GASB Technical Bulletin 2020-1.

## 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 \$318,273.

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

Unrestricted net position at June 30, 2019, was \$218,559 and \$1,585,056 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 \$26,184,717 (net of accumulated depreciation) as of June 30, 2020. 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	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,138,007	\$ 1,138,007	\$ 432,336	\$ 432,336	\$ 1,570,343	\$ 1,570,343
Construction in progress	11,432,480	1,355,633	-	2,281,237	11,432,480	3,636,870
Buildings and improvements	3,265,505	3,483,300	-	-	3,265,505	3,483,300
Other improvements	889,286	603,339	-	-	889,286	603,339
Plant and distribution systems	-	-	7,812,237	3,803,617	7,812,237	3,803,617
Equipment	629,472	727,094	24,196	-	653,668	727,094
Vehicles	472,526	506,781	85,803	27,618	558,329	534,399
Total capital assets	<u>\$ 17,827,276</u>	<u>\$ 7,814,154</u>	<u>\$ 8,354,572</u>	<u>\$ 6,544,808</u>	<u>\$ 26,181,848</u>	<u>\$ 14,358,962</u>

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

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

**Gates County’s Long-term Obligations  
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Notes payable	\$ 1,578,282	\$ 2,129,692	\$ -	\$ -	\$ 1,578,282	\$ 2,129,692
Bonds payable	7,380,000	7,790,000	-	-	7,380,000	7,790,000
Compensated absences	331,044	325,218	30,037	30,145	361,081	355,363
Net pension liability (LGRS)	1,083,568	1,010,982	107,114	98,800	1,190,682	1,109,782
Net pension liability (LEOSSA)	142,680	188,078	-	-	142,680	188,078
Total OPEB liability	3,062,647	3,877,931	661,116	540,136	3,723,763	4,418,067
Total long-term liabilities	<u>\$ 13,578,221</u>	<u>\$ 15,321,901</u>	<u>\$ 798,267</u>	<u>\$ 669,081</u>	<u>\$ 14,376,488</u>	<u>\$ 15,990,982</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 Gates County is \$78,859,821.

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

## **Economic Factors and Next Year's Budget and Rates**

- The tax rate for fiscal year ending 2021 will be \$0.79 per \$100 of assessed property value, an unchanged amount from fiscal year end June 30, 2020.
- 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, 2020.

## **Budget Highlights for the Fiscal Year Ending June 30, 2021**

**Governmental Activities.** During fiscal year 2021, Gates County will continue to control the cost of government while growing revenue through property tax base and sales tax growth. The County will strive for continuous improvement and efficiency in all governmental service areas and update fiscal policies as appropriate.

**Enterprise Activities.** In fiscal year 2021, 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. 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. Construction was finalized on the new wastewater treatment plant.

## **Requests for Information**

This financial report is designed to provide a general overview of Gates County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be directed to the Finance Officer or County Manager, Gates County, 115 Court Street, Gatesville, North Carolina 27938.



# GATES COUNTY, NORTH CAROLINA

## STATEMENT OF NET POSITION JUNE 30, 2020

	Primary Government			Component Unit
	Governmental	Business-type	Total	Gates County
	Activities	Activities		ABC Board
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,534,045	\$ 2,490,972	\$ 8,025,017	\$ 181,085
Receivables, net of allowance for uncollectibles	28,787	267,890	296,677	-
Taxes receivable, net of allowance for uncollectibles	352,906	-	352,906	-
Due from other governments	1,234,626	4,342	1,238,968	-
Inventories	-	30,935	30,935	164,269
Prepaid items	-	-	-	2,118
Restricted cash and cash equivalents	252,336	-	252,336	-
Net pension asset	14,735	-	14,735	-
Capital assets:				
Non-depreciable	12,570,487	432,336	13,002,823	-
Depreciable, net of accumulated depreciation	5,256,789	7,922,236	13,179,025	494,574
Total assets	25,244,711	11,148,711	36,393,422	842,046
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	688,434	64,683	753,117	5,714
OPEB related items	71,807	15,500	87,307	-
Total deferred outflows of resources	760,241	80,183	840,424	5,714
<b>LIABILITIES</b>				
Accounts payable	175,267	144,731	319,998	58,514
Accrued liabilities	189,291	15,562	204,853	24,836
Unearned revenue	230,673	-	230,673	-
Interest payable	69,699	-	69,699	-
Installment notes, due within one year	512,533	-	512,533	-
Installment notes, due in more than one year	1,065,749	-	1,065,749	-
Bonds, due within one year	410,000	-	410,000	-
Bonds, due in more than one year	6,970,000	-	6,970,000	-
Compensated absences, due in one year	138,593	30,037	168,630	-
Compensated absences, due in more than one year	192,451	-	192,451	-
Total pension liability, due in more than one year	142,680	-	142,680	-
Net pension liability, due in more than one year	1,083,568	107,114	1,190,682	6,008
Total OPEB liability, due in more than one year	3,062,647	661,116	3,723,763	-
Total liabilities	14,243,151	958,560	15,201,711	89,358
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred tax revenue	49,465	-	49,465	-
OPEB related items	1,165,466	251,582	1,417,048	-
Pension related items	74,365	3,156	77,521	-
Total deferred inflows of resources	1,289,296	254,738	1,544,034	-
<b>NET POSITION</b>				
Net investment in capital assets	17,115,662	8,354,572	25,470,234	494,574
Restricted for:				
Stabilization by State Statute	1,256,029	-	1,256,029	29,538
Tax revaluation	237,715	-	237,715	-
Register of deeds	14,621	-	14,621	-
Education	2,037,624	-	2,037,624	-
Capital projects	33,533	-	33,533	-
Public safety	7,310	-	7,310	-
Unrestricted	(10,229,989)	1,661,024	(8,568,965)	234,290
Total net position	\$ 10,472,505	\$ 10,015,596	\$ 20,488,101	\$ 758,402

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

# GATES COUNTY, NORTH CAROLINA

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 1,768,215	\$ 60,083	\$ 69,653	\$ -
Public safety	2,939,873	572,261	2,829	60,717
Human services	2,135,415	45,875	2,044,228	-
Education	2,864,000	-	-	302,521
Economic development	1,305,560	9,952	-	-
Culture and recreation	424,793	-	-	-
Interest on long-term debt	354,089	-	-	-
Total governmental activities	11,791,945	688,171	2,116,710	363,238
Business-type activities:				
Landfill	929,463	1,032,103	27,620	-
Water	1,468,719	1,270,739	-	-
Total business-type activities	2,398,182	2,302,842	27,620	-
Total primary government	\$ 14,190,127	\$ 2,991,013	\$ 2,144,330	\$ 363,238
Component Unit:				
Gates County ABC Board	\$ 945,788	\$ 982,017	\$ -	\$ -
Total component unit	\$ 945,788	\$ 982,017	\$ -	\$ -

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

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
\$ (1,638,479)	\$ -	\$ (1,638,479)	\$ (1,638,479)
(2,304,066)	-	(2,304,066)	(2,304,066)
(45,312)	-	(45,312)	(45,312)
(2,561,479)	-	(2,561,479)	(2,561,479)
(1,295,608)	-	(1,295,608)	(1,295,608)
(424,793)	-	(424,793)	(424,793)
(354,089)	-	(354,089)	(354,089)
<u>(8,623,826)</u>	<u>-</u>	<u>(8,623,826)</u>	<u>(8,623,826)</u>
-	130,260	130,260	260,520
-	(197,980)	(197,980)	(395,960)
-	(67,720)	(67,720)	(135,440)
<u>\$ (8,623,826)</u>	<u>\$ (67,720)</u>	<u>\$ (8,691,546)</u>	<u>\$ (8,759,266)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,229</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,229</u>
\$ 7,477,910	\$ -	\$ 7,477,910	\$ -
3,011,725	-	3,011,725	-
69,604	16,339	85,943	-
69,695	-	69,695	-
454,432	(454,432)	-	-
<u>11,083,366</u>	<u>(438,093)</u>	<u>10,645,273</u>	<u>-</u>
2,459,540	(505,813)	1,953,727	36,229
8,012,965	10,521,409	18,534,374	722,173
<u>\$ 10,472,505</u>	<u>\$ 10,015,596</u>	<u>\$ 20,488,101</u>	<u>\$ 758,402</u>

**GATES COUNTY, NORTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	General Fund	Middle School Fund	School Capital Outlay Fund	COVID-19 Relief Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 3,237,345	\$ 466,388	\$ 1,546,891	\$ 230,673	\$ 49,561	\$ 5,530,858
Taxes receivable, net	352,906	-	-	-	-	352,906
Accounts receivable	17,229	-	-	-	11,558	28,787
Due from other governments	1,205,295	27,201	-	-	2,130	1,234,626
Restricted cash and cash equivalents	252,336	-	-	-	-	252,336
Total assets	<u>\$ 5,065,111</u>	<u>\$ 493,589</u>	<u>\$ 1,546,891</u>	<u>\$ 230,673</u>	<u>\$ 63,249</u>	<u>\$ 7,399,513</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 162,672	\$ 2,856	\$ -	\$ -	\$ 9,739	\$ 175,267
Accrued payroll and withholdings	189,291	-	-	-	-	189,291
Unearned revenue	-	-	-	230,673	-	230,673
Total liabilities	<u>351,963</u>	<u>2,856</u>	<u>-</u>	<u>230,673</u>	<u>9,739</u>	<u>595,231</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - ad valorem taxes	310,733	-	-	-	-	310,733
Unavailable revenue - intergovernmental	21,335	-	-	-	-	21,335
Deferred revenue - prepaid taxes	49,465	-	-	-	-	49,465
Total deferred inflows of resources	<u>381,533</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>381,533</u>
<b>FUND BALANCES</b>						
Restricted:						
Stabilization by State Statute	1,243,362	-	-	-	12,667	1,256,029
Education	-	490,733	1,546,891	-	-	2,037,624
Public safety	-	-	-	-	7,310	7,310
Capital projects	-	-	-	-	33,533	33,533
Register of deeds	14,621	-	-	-	-	14,621
Tax revaluation	237,715	-	-	-	-	237,715
Assigned:						
2021 budget appropriation	289,690	-	-	-	-	289,690
Unassigned	2,546,227	-	-	-	-	2,546,227
Total fund balances	<u>4,331,615</u>	<u>490,733</u>	<u>1,546,891</u>	<u>-</u>	<u>53,510</u>	<u>6,422,749</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,065,111</u>	<u>\$ 493,589</u>	<u>\$ 1,546,891</u>	<u>\$ 230,673</u>	<u>\$ 63,249</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.						17,827,276
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.						332,068
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.						(597,444)
Internal service funds are used by the County to charge costs to other funds. The assets and liabilities are included in the governmental activities.						3,187
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.						(13,515,331)
Net position of governmental activities						<u>\$ 10,472,505</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, 2020**

	<b>General Fund</b>	<b>Middle School Fund</b>	<b>School Capital Outlay Fund</b>	<b>COVID-19 Relief Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>						
Property taxes	\$ 7,430,614	\$ -	\$ -	\$ -	\$ -	\$ 7,430,614
Sales tax	3,011,725	-	-	-	-	3,011,725
Intergovernmental revenues	2,005,167	302,521	-	207,445	83,024	2,598,157
Charges for services	126,916	-	-	-	394,014	520,930
Investment earnings	16,656	52,123	-	-	825	69,604
License and permits	167,241	-	-	-	-	167,241
Miscellaneous	67,187	-	-	-	2,508	69,695
Total revenues	<u>12,825,506</u>	<u>354,644</u>	<u>-</u>	<u>207,445</u>	<u>480,371</u>	<u>13,867,966</u>
<b>Expenditures</b>						
Current:						
General government	1,459,741	-	-	-	-	1,459,741
Public safety	2,797,540	-	-	-	-	2,797,540
Human services	1,686,458	-	-	-	377,691	2,064,149
Education	2,864,000	-	-	-	-	2,864,000
Economic development	1,184,649	-	-	-	80,195	1,264,844
Culture and recreation	341,863	-	-	-	-	341,863
Capital outlay	98,453	5,462,984	-	-	146,689	5,708,126
Debt service:						
Principal retirements	961,410	-	-	-	-	961,410
Interest and fiscal charges	362,466	-	-	-	-	362,466
Total expenditures	<u>11,756,580</u>	<u>5,462,984</u>	<u>-</u>	<u>-</u>	<u>604,575</u>	<u>17,824,139</u>
Excess (deficiency) of revenues over expenditures	<u>1,068,926</u>	<u>(5,108,340)</u>	<u>-</u>	<u>207,445</u>	<u>(124,204)</u>	<u>(3,956,173)</u>
<b>Other financing sources (uses)</b>						
Proceeds from sale of capital assets	9,134	-	-	-	-	9,134
Transfers in	755,687	-	676,392	-	-	1,432,079
Transfers out	(676,392)	(93,810)	-	(207,445)	-	(977,647)
Total other financing sources (uses)	<u>88,429</u>	<u>(93,810)</u>	<u>676,392</u>	<u>(207,445)</u>	<u>-</u>	<u>463,566</u>
Net change in fund balances	1,157,355	(5,202,150)	676,392	-	(124,204)	(3,492,607)
Fund balances, beginning of year	<u>3,174,260</u>	<u>5,692,883</u>	<u>870,499</u>	<u>-</u>	<u>177,714</u>	<u>9,915,356</u>
Fund balances, end of year	<u>\$ 4,331,615</u>	<u>\$ 490,733</u>	<u>\$ 1,546,891</u>	<u>\$ -</u>	<u>\$ 53,510</u>	<u>\$ 6,422,749</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, 2020

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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	\$ (3,492,607)
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.	5,273,471
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 sold.	(237,465)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(70,913)
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	961,410
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>25,644</u>
Change in net position - governmental activities	<u>\$ 2,459,540</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, 2020

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 7,119,012	\$ 7,119,012	\$ 7,430,614	\$ 311,602
Sales tax	2,714,000	2,714,000	3,011,725	297,725
Intergovernmental revenue	1,894,507	1,932,806	2,005,167	72,361
Charges for services	154,284	187,284	126,916	(60,368)
Investment earnings	9,000	9,000	16,606	7,606
License and permits	166,743	166,743	162,963	(3,780)
Miscellaneous	329,536	349,140	67,187	(281,953)
Total revenues	<u>12,387,082</u>	<u>12,477,985</u>	<u>12,821,178</u>	<u>343,193</u>
<b>Expenditures</b>				
Current:				
General government	1,552,740	1,568,235	1,459,741	108,494
Public safety	2,909,555	3,153,342	2,797,540	355,802
Human services	1,789,302	1,825,489	1,686,458	139,031
Education	2,864,000	2,864,000	2,864,000	-
Economic development	1,159,299	1,182,103	984,649	197,454
Culture and recreation	341,863	341,863	341,863	-
Debt service:				
Principal retirements	961,411	961,411	961,410	1
Interest	362,467	362,467	362,466	1
Total expenditures	<u>11,940,637</u>	<u>12,258,910</u>	<u>11,458,127</u>	<u>800,783</u>
Excess of revenues over expenditures	446,445	219,075	1,363,051	1,143,976
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	19,000	19,000	9,134	(9,866)
Transfers in	548,241	775,611	755,687	(19,924)
Transfers out	(1,013,686)	(1,013,686)	(1,011,100)	2,586
Total other financing (uses)	<u>(446,445)</u>	<u>(219,075)</u>	<u>(246,279)</u>	<u>(27,204)</u>
Net change in fund balances	-	-	1,116,772	1,116,772
<b>Fund balances, beginning of year</b>	<u>2,914,306</u>	<u>2,914,306</u>	<u>2,914,306</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 2,914,306</u>	<u>\$ 2,914,306</u>		<u>\$ 1,116,772</u>
Reconciliation to the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance:				
Revaluation Fund			237,715	
Transit Fund			48,201	
Register of Deeds Automation Fund			14,621	
			<u>\$ 4,331,615</u>	

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

**GATES COUNTY, NORTH CAROLINA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2020**

ASSETS	Landfill Fund	Water Fund	Totals	Internal Service Fund
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 296,885	\$ 2,194,087	\$ 2,490,972	\$ 3,187
Accounts receivable, net of allowances	56,999	210,891	267,890	-
Due from other governments	-	4,342	4,342	-
Inventory	-	30,935	30,935	-
Total current assets	<u>353,884</u>	<u>2,440,255</u>	<u>2,794,139</u>	<u>3,187</u>
<b>CAPITAL ASSETS</b>				
Nondepreciable	-	432,336	432,336	-
Depreciable, net of accumulated depreciation	1,117	7,921,119	7,922,236	-
Total noncurrent assets	<u>1,117</u>	<u>8,353,455</u>	<u>8,354,572</u>	<u>-</u>
Total assets	<u>355,001</u>	<u>10,793,710</u>	<u>11,148,711</u>	<u>3,187</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	-	64,683	64,683	-
OPEB related items	-	15,500	15,500	-
Total deferred outflows of resources	<u>-</u>	<u>80,183</u>	<u>80,183</u>	<u>-</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	135,324	9,407	144,731	-
Payroll withholdings	-	15,562	15,562	-
Compensated absences payable	-	30,037	30,037	-
Total current liabilities	<u>135,324</u>	<u>55,006</u>	<u>190,330</u>	<u>-</u>
<b>NONCURRENT LIABILITIES</b>				
Net pension liability	-	107,114	107,114	-
Total OPEB liability	-	661,116	661,116	-
Total noncurrent liabilities	<u>-</u>	<u>768,230</u>	<u>768,230</u>	<u>-</u>
Total liabilities	<u>135,324</u>	<u>823,236</u>	<u>958,560</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related items	-	3,156	3,156	-
OPEB related items	-	251,582	251,582	-
Total deferred inflows of resources	<u>-</u>	<u>254,738</u>	<u>254,738</u>	<u>-</u>
<b>NET POSITION</b>				
Investment in capital assets	1,117	8,353,455	8,354,572	-
Unrestricted	218,560	1,442,464	1,661,024	3,187
Total net position	<u>\$ 219,677</u>	<u>\$ 9,795,919</u>	<u>\$ 10,015,596</u>	<u>\$ 3,187</u>

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, 2020**

	Landfill Fund	Water Fund	Totals	Internal Service Fund
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,028,105	\$ 1,205,346	\$ 2,233,451	\$ -
Other operating revenues	3,998	65,393	69,391	-
Total operating revenues	<u>1,032,103</u>	<u>1,270,739</u>	<u>2,302,842</u>	<u>-</u>
<b>OPERATING EXPENSES</b>				
Landfill operations	928,903	-	928,903	-
Water operations	-	1,168,156	1,168,156	-
Sewer operations	-	21,759	21,759	-
Depreciation	560	278,804	279,364	-
Total operating expenses	<u>929,463</u>	<u>1,468,719</u>	<u>2,398,182</u>	<u>-</u>
Operating income	<u>102,640</u>	<u>(197,980)</u>	<u>(95,340)</u>	<u>-</u>
<b>NON-OPERATING REVENUES</b>				
Investment earnings	1,565	14,774	16,339	-
Intergovernmental grants and contributions	27,620	-	27,620	-
Total non-operating revenue	<u>29,185</u>	<u>14,774</u>	<u>43,959</u>	<u>-</u>
Income (loss) before transfers	131,825	(183,206)	(51,381)	-
Transfers out	-	(454,432)	(454,432)	-
Change in net position	131,825	(637,638)	(505,813)	-
Net position, beginning of year	<u>87,852</u>	<u>10,433,557</u>	<u>10,521,409</u>	<u>3,187</u>
Net position, end of year	<u>\$ 219,677</u>	<u>\$ 9,795,919</u>	<u>\$ 10,015,596</u>	<u>\$ 3,187</u>

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, 2020**

	Landfill Fund	Water Fund	Totals	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 989,059	\$ 1,508,697	\$ 2,497,756	\$ -
Payments to suppliers	(907,749)	(733,150)	(1,640,899)	-
Payments to employees	-	(253,057)	(253,057)	-
Net cash provided by operating activities	<u>81,310</u>	<u>522,490</u>	<u>603,800</u>	<u>-</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	-	(454,432)	(454,432)	-
Non-capital grants and contributions	27,620	-	27,620	-
Net cash provided by (used in) non-capital financing activities	<u>27,620</u>	<u>(454,432)</u>	<u>(426,812)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases and acquisition of capital assets	-	(251,243)	(251,243)	-
Net cash used in capital and related financing activities	<u>-</u>	<u>(251,243)</u>	<u>(251,243)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	1,565	14,774	16,339	-
Net cash provided by investing activities	<u>1,565</u>	<u>14,774</u>	<u>16,339</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	110,495	(168,411)	(57,916)	-
Cash and cash equivalents, beginning of year	186,390	2,362,498	2,548,888	3,187
Cash and cash equivalents, end of year	<u>\$ 296,885</u>	<u>\$ 2,194,087</u>	<u>\$ 2,490,972</u>	<u>\$ 3,187</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 102,640	\$ (197,980)	\$ (95,340)	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	560	278,804	279,364	-
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase) decrease in accounts receivable	(43,044)	233,805	190,761	-
Decrease in due from other governments	-	4,153	4,153	-
Increase (decrease) in accounts payable	21,154	(116,677)	(95,523)	-
Increase in accrued payroll and withholdings	-	12,823	12,823	-
Decrease in compensated absences payable	-	(108)	(108)	-
Increase in net pension liability and related items	-	21,064	21,064	-
Increase in total OPEB liability and related items	-	286,606	286,606	-
Net cash provided by operating activities	<u>\$ 81,310</u>	<u>\$ 522,490</u>	<u>\$ 603,800</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, 2020**

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<b>ASSETS</b>	<b>Agency Funds</b>
Cash and cash equivalents	\$ <u>40,111</u>
Total assets	\$ <u><u>40,111</u></u>
 <b>LIABILITIES</b>	
Accounts Payable	\$ <u>40,111</u>
Total liabilities	\$ <u><u>40,111</u></u>

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

# GATES COUNTY, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

The **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 specific revenues generated from the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed through the State of North Carolina.

## 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)

The County reports the following major enterprise funds:

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

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

Additionally, the County reports the following fund types:

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

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

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

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

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

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

## 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)

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### 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, 2020, 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 consists of two SEC-registered funds: the Government Portfolio and the Term Portfolio. The Government Portfolio is a 2a-7 fund which invests in treasuries and government agencies and is rated AAAM by S&P. The Term Portfolio is a short-term bond fund investing in treasuries, government agencies, and money market instruments allowed under G.S. 159-30. The Term Portfolio has no rating.

Both the NCCMT Government Portfolio and the NCCMT Term Portfolio are 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, 2020, 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.

Fund balances are classified as follows:

*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 \$9.1 million incurred for the Gates County Board of Education (the "school system"). Under North Carolina law, the County is responsible for providing school system capital funding and has done so using a mixture of County funds and general obligation debt. The deficit results because the debt is recorded on the County's financial statements as the issuing government, while the related assets are owned, operated, and recorded in the school system's financial statements.

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

#### Q. Pensions

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

#### 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 \$13,515,331 difference are as follows:

Installment notes	\$	(1,578,282)
Bonds payable		(7,380,000)
Accrued interest payable		(69,699)
Total OPEB liability		(3,062,647)
OPEB related deferred outflows of resources		71,807
OPEB related deferred inflows of resources		(1,165,466)
Compensated absences (i.e., vacation)		(331,044)
		(331,044)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$	(13,515,331)

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 \$597,444 difference are as follows:

Total pension liability - Law Enforcement Officers Special Separation		
Allowance (LEOSSA) - pension plan	\$	(142,680)
Deferred outflows of resources - LEOSSA		31,021
Deferred inflows of resources - LEOSSA		(41,114)
Net pension liability - LGERS		(1,083,568)
Deferred outflows of resources - LGERS		654,324
Deferred inflows of resources - LGERS		(31,929)
Net pension asset - RODSPF		14,735
Deferred outflows of resources - RODSPF		3,089
Deferred inflows of resources - RODSPF		(1,322)
		(1,322)
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$	(597,444)

## NOTES TO FINANCIAL STATEMENTS

**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 \$5,273,471 difference are as follows:

Capital outlay	\$ 5,894,541
Depreciation expense	<u>(621,070)</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><u>5,273,471</u></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 \$961,410 difference are as follows:

Principal payments on installment notes	\$ 551,410
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><u>961,410</u></u>



## NOTES TO FINANCIAL STATEMENTS

**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 \$25,644 difference are as follows:

Compensated absences (i.e., vacation)	\$ (5,826)
Change in accrued interest	8,377
Net pension liability and related deferred outflows and inflows - LGERS	(210,237)
Total pension liability and related deferred outflows and inflows - LEOSSA	7,754
Net pension asset and related deferred outflows and inflows- RODSPF	(1,897)
Total OPEB liability and related deferred outflows and inflows	227,473
 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><u>\$ 25,644</u></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, 2020, the County did not adopt a budget ordinance for the COVID-19 Relief Fund or the Illegal Substance Tax Fund.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2020, are summarized as follows:

Statement of Net Position:

Cash and cash equivalents	\$	8,025,017
Restricted cash and cash equivalents		252,336
Fiduciary - agency funds		40,111
	\$	<u>8,317,464</u>
Cash deposited with financial institutions	\$	7,773,789
Cash deposited with NCCMT		543,675
	\$	<u>8,317,464</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, 2020, the County had \$543,675 in the NCCMT as follows: \$494,330 in the NCCMT Term Portfolio and \$49,345 in the NCCMT Government Portfolio. As of June 30, 2020, the NCCMT Term Portfolio had a duration of 0.15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented by the County as cash equivalents in the financial statements.

The County's investments in the NCCMT Government Portfolio carried a credit rating of AAAM Standard & Poor's as of June 30, 2020. The County's investment in the NCCMT Term Portfolio is unrated. The NCCMT Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statute 159-30, as amended.

## NOTES TO FINANCIAL STATEMENTS

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

**Fair Value Measurement.** The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The County's investments in both the NCCMT Government Portfolio and the NCCMT Term 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. The County's investments with the NCCMT reported a weighted-average duration of 0.15 years at June 30, 2020.

**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, 2020, the County's deposits are insured or collateralized as required by GASB and state statutes.

### NOTE 5. RECEIVABLES

Receivables at June 30, 2020, for the County's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Middle School</u>	<u>Landfill</u>	<u>Water</u>	<u>Other Governmental</u>
Receivables:					
Taxes	\$ 595,667	\$ -	\$ -	\$ -	\$ -
Accounts	1,201,807	-	252,893	310,489	11,558
Due from other governments	20,717	27,201	-	4,342	2,130
Less allowance for uncollectible	<u>(242,761)</u>	<u>-</u>	<u>(195,894)</u>	<u>(99,598)</u>	<u>-</u>
Net total receivables	<u>\$ 1,575,430</u>	<u>\$ 27,201</u>	<u>\$ 56,999</u>	<u>\$ 215,233</u>	<u>\$ 13,688</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

Capital asset activity for the County for the year ended June 30, 2020, 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	5,829,656	5,609,674	(6,850)	-	11,432,480
Total	<u>6,967,663</u>	<u>5,609,674</u>	<u>(6,850)</u>	<u>-</u>	<u>12,570,487</u>
Capital assets, being depreciated:					
Buildings	5,882,204	-	(86,952)	-	5,795,252
Other improvements	1,166,046	113,060	(28,367)	-	1,250,739
Equipment	1,924,641	-	(225,146)	10,042	1,709,537
Vehicles	1,650,105	171,807	(504,157)	(10,042)	1,307,713
Total being depreciated	<u>10,622,996</u>	<u>284,867</u>	<u>(844,622)</u>	<u>-</u>	<u>10,063,241</u>
Less accumulated depreciation for:					
Buildings	(2,441,249)	(88,498)	-	-	(2,529,747)
Other improvements	(296,996)	(92,824)	28,367	-	(361,453)
Equipment	(968,673)	(182,833)	81,483	(10,042)	(1,080,065)
Vehicles	(1,092,471)	(256,915)	504,157	10,042	(835,187)
Total	<u>(4,799,389)</u>	<u>(621,070)</u>	<u>614,007</u>	<u>-</u>	<u>(4,806,452)</u>
Total capital assets, being depreciated, net	<u>5,823,607</u>	<u>(336,203)</u>	<u>(230,615)</u>	<u>-</u>	<u>5,256,789</u>
Governmental activities capital assets, net	<u>\$ 12,791,270</u>	<u>\$ 5,273,471</u>	<u>\$ (237,465)</u>	<u>\$ -</u>	<u>\$ 17,827,276</u>

## 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	(3,918)	(560)	-	(4,478)
Total	(3,918)	(560)	-	(4,478)
Landfill Fund capital assets, net	\$ 1,677	\$ (560)	\$ -	\$ 1,117

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Water Fund:</b>					
Nondepreciable capital assets:					
Land	\$ 432,336	\$ -	\$ -	\$ -	\$ 432,336
Construction in progress	4,237,635	218,027	-	(4,455,662)	-
Total	4,669,971	218,027	-	(4,455,662)	432,336
Capital assets, being depreciated:					
Plant and distribution system	9,467,874	-	(23,092)	4,455,662	13,900,444
Furniture and equipment	499,041	-	(61,980)	-	437,061
Vehicles	263,167	88,159	(55,071)	-	296,255
Total depreciable assets	10,230,082	88,159	(140,143)	4,455,662	14,633,760
Less accumulated depreciation for:					
Plant and distribution system	(5,851,866)	(260,550)	23,092	-	(6,089,324)
Furniture and equipment	(441,174)	(6,200)	34,509	-	(412,865)
Vehicles	(225,999)	(12,054)	27,601	-	(210,452)
Total accumulated depreciation	(6,519,039)	(278,804)	85,202	-	(6,712,641)
Total capital assets being depreciated, net	3,711,043	(190,645)	(54,941)	4,455,662	7,921,119
Water Fund capital assets, net	\$ 8,381,014	\$ 27,382	\$ (54,941)	\$ -	\$ 8,353,455

## 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	\$	142,695
Public safety		248,473
Human services		43,790
Economic development		103,182
Culture and recreation		82,930
		82,930

Total depreciation expense - governmental activities	\$	621,070
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Business-type activities

Landfill Fund	\$	560
Water Fund		278,804
		278,804

Total depreciation expense - business-type activities	\$	279,364
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### NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2020, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Installment notes payable	\$ 2,129,692	\$ -	\$ (551,410)	\$ 1,578,282	\$ 512,533
Bonds payable	7,790,000	-	(410,000)	7,380,000	410,000
Net pension liability - LGERS	1,010,982	507,414	(434,828)	1,083,568	-
Total pension liability - LEOSSA	188,078	18,738	(64,136)	142,680	-
Compensated absences	325,218	141,980	(136,154)	331,044	138,593
Total OPEB liability	3,877,931	57,395	(872,679)	3,062,647	-
Governmental activity					
Long-term liabilities	\$ 15,321,901	\$ 725,527	\$ (2,469,207)	\$ 13,578,221	\$ 1,061,126
<b>Business-type activities:</b>					
Net pension liability - LGERS	\$ 98,800	\$ 51,298	\$ (42,984)	\$ 107,114	\$ -
Compensated absences	30,145	26,563	(26,671)	30,037	30,037
Total OPEB liability	540,136	309,360	(188,380)	661,116	-
Business-type activity					
Long-term liabilities	\$ 669,081	\$ 387,221	\$ (258,035)	\$ 798,267	\$ 30,037

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

## NOTES TO FINANCIAL STATEMENTS

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

#### Installment Notes Payable

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

	<b>Balance as of June 30, 2020</b>
<b><i>Governmental activities:</i></b>	
\$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.	\$ 866,667
\$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%.	711,615
Total outstanding notes payable	\$ 1,578,282

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year Ending June 30,			
2021	\$ 512,533	\$ 42,319	\$ 554,852
2022	517,226	25,015	542,241
2023	85,957	13,494	99,451
2024	88,072	11,379	99,451
2025	90,238	9,213	99,451
2026-2028	284,256	14,099	298,355
Total	\$ 1,578,282	\$ 115,519	\$ 1,693,801

#### 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:

<b><i>Governmental activities:</i></b>	<b>Balance as of June 30, 2020</b>
\$8,200,000 bonds payable due in annual installments of \$410,000 plus interest of 3.90%. The bonds were issued for the construction of a new middle school. The payments are due May 1, with an original maturity of May 1, 2038.	\$ 7,380,000

## NOTES TO FINANCIAL STATEMENTS

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

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 410,000	\$ 287,820	\$ 697,820
2022	410,000	271,830	681,830
2023	410,000	255,840	665,840
2024	410,000	239,850	649,850
2025	410,000	223,860	633,860
2026-2030	2,050,000	879,450	2,929,450
2031-2035	2,050,000	479,700	2,529,700
2036-2038	1,230,000	95,940	1,325,940
Total	<u>\$ 7,380,000</u>	<u>\$ 2,734,290</u>	<u>\$ 10,114,290</u>

### NOTE 8. INTERFUND BALANCES AND TRANSFERS

The composition of interfund transfers for the year ended June 30, 2020, is as follows:

<u>Transfer in</u>	<u>Transfer out</u>	<u>Amount</u>
General Fund	Middle School Fund	\$ 93,810
General Fund	COVID-19 Relief Fund	207,445
General Fund	Water Fund	454,432
		<u>\$ 755,687</u>
School Capital Outlay Fund	General Fund	<u>\$ 676,392</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 Middle School 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:

	LGERS	LEOSSA	RODSPF	Total
Net pension asset	\$ -	\$ -	\$ 14,735	\$ 14,735
Net pension liability	1,190,682	-	-	1,190,682
Total pension liability	-	142,680	-	142,680
Deferred outflows of resources related to pensions	719,007	31,021	3,089	753,117
Deferred inflows of resources related to pensions	35,505	41,114	902	77,521
Pension expense	523,330	12,116	2,221	537,667

#### A. Local Governmental Employees' Retirement System

**Plan Description.** Gates County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members—nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the state of North Carolina. The state's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](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, 2020, was 9.70% of compensation for law enforcement officers and 8.95% 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 \$292,029 for the year ended June 30, 2020.

## 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, 2020, the County reported a liability of \$1,190,682 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019, 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, 2019, the County's proportion was 0.04360%, which was a decrease of 0.003180% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$523,330. At June 30, 2020, 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	\$ 203,875	\$ -
Net difference between projected and actual earnings on pension plan investments	29,042	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	35,505
Changes in plan assumptions	194,061	-
County contributions subsequent to the measurement date	292,029	-
Total	\$ 719,007	\$ 35,505

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. PENSION PLANS (CONTINUED)

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

County contributions made subsequent to the measurement date of \$292,029 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2021	\$ 200,918
2022	56,395
2023	107,974
2024	26,186
Total	<u>\$ 391,473</u>

**Actuarial Assumptions.** The total pension liability as of June 30, 2019, was determined by the December 31, 2018 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, 2018 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, 2020, are summarized in the following table:

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

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

**Discount rate.** The discount rate used to measure the total pension liability was 7.00%. This represents a reduction from the discount rate used in the prior year rate of 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 asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 %) or one percentage point higher (8.0%) than the current rate:

	<b>1% Decrease (6.0%)</b>	<b>Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
County's proportionate share of the net pension liability (asset)	\$ 2,723,307	\$ 1,190,682	\$ (83,240)

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

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

**Plan Description.** 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, 2018, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	11
Total	12

## 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, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.50 to 7.35%, including inflation and productivity factor
Discount rate	3.26%

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 3.64% to 3.26% 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

## 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, 2020, the County reported a total pension liability of \$142,680. The total pension liability was measured as of December 31, 2019, based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the County recognized pension expense of \$12,116. At June 30, 2020, 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>
Change in assumptions	\$ 7,282	\$ 4,984
Difference between expected and actual experience	13,804	36,130
County benefit payments made subsequent to the measurement date.	9,935	-
Total	\$ 31,021	\$ 41,114

An amount of \$9,935, reported as deferred outflows of resources related to pensions, resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized as reductions of pension expense as follows:

<b>Year ending June 30</b>		
2021	\$	(3,338)
2022		(3,338)
2023		(3,214)
2024		(6,826)
2025		(3,312)
Thereafter		-
Total	\$	(20,028)



## 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, 2020, were as follows:

	<b>Total Pension Liability</b>
Balance at June 30, 2019	\$ 188,078
Service cost	8,970
Interest	6,484
Difference between expected and actual experience	(44,268)
Change of assumptions or other inputs	3,286
Contributions	(19,870)
Balance at June 30, 2020	\$ 142,680

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

**Sensitivity of the County's total pension liability to changes in the discount rate.** The following presents the County's total pension liability calculated using the discount rate of 3.26%, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26%) or 1-percentage-point higher (4.26%) than the current rate:

	<b>1% Decrease (2.26%)</b>	<b>Discount Rate (3.26%)</b>	<b>1% Increase (4.26%)</b>
Total pension liability	\$ 151,925	\$ 142,680	\$ 134,292

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

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

**Contributions.** Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$744 for the year ended June 30, 2020.

## 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, 2020, the County reported an asset of \$14,735 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019, 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, 2019, the County's proportion was 0.07464%, which was a decrease of 0.01510% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$2,221. At June 30, 2020, 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	\$ -	\$ 711
Net difference between projected and actual earnings on pension plan investments	151	-
Changes in proportion and differences between County contributions and proportionate share of contributions	2,194	191
County contributions subsequent to measurement date	744	-
Total	\$ 3,089	\$ 902

County contributions made subsequent to the measurement date of \$744 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30:</b>		
2021	\$	253
2022		877
2023		604
2024		(291)
Total	\$	1,443

## 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, 2018 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, 2018 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, 2019, is 3.75%, including inflation.

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 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)	\$ (12,180)	\$ (14,735)	\$ (16,895)

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

#### D. Supplemental Retirement Income Plan for Law Enforcement Officers

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

## 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, 2020, were \$38,301, which consisted of \$24,618 from the County and \$13,683 from the law enforcement officers.

#### E. Supplemental Retirement Income Plan for General Government Employees

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

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to nine point seven percent of each general government employee's salary, and all amounts contributed are vested immediately. Also, the general government employees are required to make contributions to the plan equal to six percent of each general government employee's salary. Contributions for the year ended June 30, 2020 were \$78,530, which consisted of \$49,582 from the County and \$28,948 from the general government employees.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

**Plan Administration and Benefits.** The County, as authorized by the County Commission, administers a single-employer defined benefit Postemployment Healthcare Benefits Plan (the “PHCB Plan”). The PHCB Plan is administered by the County management, under the direction of the County’s Board of Commissioners. The County will provide, at its expense, medical insurance for all full time employees who retire with unreduced benefits from the North Carolina Local Governmental Employees’ Retirement System (NCLGERS). Employees who are retiring with at least 20 years of 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	<u>14</u>
Total	<u><u>88</u></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, 2020, the County contributed \$74,232 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, 2019, as determined by an actuarial valuation as of June 30, 2019.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (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 3.50%, the rate was decreased from the discount rate of 3.89% which was used for the prior measurement period. This rate was determined using an index rate of 20-year, tax-exempt general obligation municipal bonds with an average rating of AA or higher—which was 3.50% 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, 2020, were as follows:

	<b>Total OPEB Liability</b>
<b>Balances at June 30, 2019</b>	\$ 4,418,067
<b>Changes for the year:</b>	
Service cost	196,506
Interest	170,249
Differences between expected and actual experience	(920,405)
Assumption changes	(56,875)
Benefit payments	(83,779)
<b>Net changes</b>	<b>(694,304)</b>
<b>Balances at June 30, 2020</b>	<b>\$ 3,723,763</b>

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

**Sensitivity of the total OPEB liability to changes in the discount rate.** The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 4,505,998	\$ 3,723,763	\$ 3,119,956

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.** The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5% decreasing to 3.5%) or 1-percentage-point higher (8.5% decreasing to 5.5%) than the current healthcare cost trend rates:

	1% Decrease (6.5% to 3.5%)	Current Trend Rate	1% Increase (8.5% to 5.5%)
Total OPEB liability	\$ 3,074,280	\$ 3,723,763	\$ 4,582,354

## 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, 2020, 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, 2020, the County recognized OPEB expense of \$133,365. At June 30, 2020, 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	\$ 13,075	\$ 803,156
Changes in assumptions	-	613,892
Benefits paid subsequent to measurement period	74,232	
Total	\$ 87,307	\$ 1,417,048

Benefits paid by the County subsequent to the measurement date of \$74,232 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, 2021. 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>	
2021	\$ (220,305)
2022	(220,305)
2023	(220,305)
2024	(220,305)
2025	(220,305)
Thereafter	(302,448)
Total	\$ (1,403,973)

## 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.

**Construction Commitments.** The County has several active construction projects as of June 30, 2020, with contractual commitments on the uncompleted contract of approximately \$302,887.

### 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, 2020. 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 \$620,340 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, 2020. 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, 2020. 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, 2020. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$119,246 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 \$8,430 to the Commission during the fiscal year ended June 30, 2020. 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 \$30,892 to this organization during the fiscal year ended June 30, 2020.

**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**  
**JUNE 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 196,506	\$ 210,776	\$ 242,984
Interest on total OPEB liability	170,249	156,015	138,268
Difference between expected and actual experience	(920,405)	5,311	14,055
Changes of assumptions and other inputs	(56,875)	(297,013)	(526,205)
Benefit payments	<u>(83,779)</u>	<u>(78,275)</u>	<u>(82,316)</u>
<b>Net change in total OPEB liability</b>	<b>(694,304)</b>	<b>(3,186)</b>	<b>(213,214)</b>
<b>Total OPEB liability - beginning</b>	<b>4,418,067</b>	<b>4,421,253</b>	<b>4,634,467</b>
<b>Total OPEB liability - ending</b>	<b><u>\$ 3,723,763</u></b>	<b><u>\$ 4,418,067</u></b>	<b><u>\$ 4,421,253</u></b>
<b>Covered-employee payroll</b>	<b>\$ 2,808,599</b>	<b>\$ 3,074,546</b>	<b>\$ 3,074,546</b>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<b>132.6%</b>	<b>143.7%</b>	<b>143.8%</b>

**Notes to the Schedule:**

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

**GATES COUNTY, NORTH CAROLINA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
**JUNE 30, 2020**

**LAW ENFORCEMENT OFFICERS SPECIAL SEPARATION ALLOWANCE**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance of the total pension liability	\$ 188,078	\$ 186,983	\$ 167,183
Service Cost	8,970	11,037	10,060
Interest on the total pension liability	6,484	5,595	6,070
Difference between expected and actual experience	(44,268)	10,057	14,296
Changes of assumptions or other inputs	3,286	(5,724)	9,244
Benefit payments	(19,870)	(19,870)	(19,870)
Ending balance of the total pension liability	<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 TWO FISCAL YEARS**

**LAW ENFORCEMENT OFFICERS SPECIAL SEPARATION ALLOWANCE**

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	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total pension liability	\$ 142,680	\$ 188,078	\$ 186,983
County's covered-employee payroll	\$ 438,501	\$ 473,835	\$ 455,307
Total pension liability as a percentage of covered-employee payroll	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 COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) LAST SIX FISCAL YEARS\*

### LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	<u>2020</u>	<u>2019</u>	<u>2018</u>
County's proportion of the net pension liability (asset) (%)	0.04360%	0.04678%	0.04580%
County's proportion of the net pension liability (asset) (\$)	\$ 1,190,682	\$ 1,109,782	\$ 699,697
County's covered payroll	\$ 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	39.57%	38.31%	25.44%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	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 CONTRIBUTIONS**  
**LAST FIVE FISCAL YEARS**

**LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM**

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 292,029	\$ 233,190	\$ 221,586	\$ 202,740	\$ 182,772	\$ 186,050
Contributions in relation to the contractually required contribution	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>
County's covered payroll	\$ 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	9.65%	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, 2020

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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 SIX FISCAL YEARS\***

**REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
County's proportion of the net pension asset (%)	0.07464%	0.08974%	0.08709%
County's proportion of the net pension liability (asset) (\$)	\$ (14,735)	\$ (14,864)	\$ (14,865)
County's covered payroll	\$ 75,070	\$ 73,800	\$ 69,546
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-19.63%	-20.14%	-21.37%
Plan fiduciary net position as a percentage of the total pension liability	153.31%	153.77%	160.17%
	<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	\$ 42,450	\$ 42,242	\$ 41,206
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-42.16%	-51.73%	-54.89%
Plan fiduciary net position as a percentage of the total pension liability	197.29%	193.88%	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 SIX FISCAL YEARS**

**REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 744	\$ 757	\$ 768	\$ 757	\$ 782	\$ 755
Contributions in relation to the contractually required contribution	744	757	768	757	782	755
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 75,070	\$ 73,800	\$ 69,546	\$ 42,450	\$ 42,242	\$ 41,206
Contributions as a percentage of covered-employee payroll	0.99%	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, 2020

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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.

**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.



# GATES COUNTY, NORTH CAROLINA

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2020

ASSETS	Special Revenue Funds				Capital Project Fund	Total
	Emergency Telephone System	Fire Protection	Illegal Substance Tax	Housing Rehab	Old Courthouse Restoration Project	Nonmajor Governmental Funds
	System	Protection	Tax	Rehab	Project	Funds
Cash and cash equivalents	\$ 5,681	\$ 7,507	\$ 2,579	\$ -	\$ 33,794	\$ 49,561
Accounts receivable	10,537	-	-	-	1,021	11,558
Due from other governments	2,130	-	-	-	-	2,130
Total assets	\$ 18,348	\$ 7,507	\$ 2,579	\$ -	\$ 34,815	\$ 63,249
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 950	\$ 7,507	\$ -	\$ -	\$ 1,282	\$ 9,739
Total liabilities	950	7,507	-	-	1,282	9,739
<b>FUND BALANCES</b>						
Restricted:						
Stabilization by state statute	12,667	-	-	-	-	12,667
Public safety	4,731	-	2,579	-	-	7,310
Capital projects	-	-	-	-	33,533	33,533
Total fund balances	17,398	-	2,579	-	33,533	53,510
Total liabilities and fund balances	\$ 18,348	\$ 7,507	\$ 2,579	\$ -	\$ 34,815	\$ 63,249

**GATES COUNTY, NORTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Special Revenue Funds				Capital Project Fund	Total Nonmajor Governmental Funds
	Emergency Telephone System	Fire Protection	Illegal Substance Tax	Housing Rehab	Old Courthouse Restoration Project	
<b>REVENUES</b>						
Charges for services	\$ 150,580	\$ 243,434	\$ -	\$ -	\$ -	\$ 394,014
Intergovernmental revenues	-	-	2,829	80,195	-	83,024
Investment earnings	825	-	-	-	-	825
Miscellaneous	-	-	-	-	2,508	2,508
Total revenues	<u>151,405</u>	<u>243,434</u>	<u>2,829</u>	<u>80,195</u>	<u>2,508</u>	<u>480,371</u>
<b>EXPENDITURES</b>						
Public safety	134,007	243,434	250	-	-	377,691
Economic development	-	-	-	80,195	-	80,195
Capital outlay	-	-	-	-	146,689	146,689
Total expenditures	<u>134,007</u>	<u>243,434</u>	<u>250</u>	<u>80,195</u>	<u>146,689</u>	<u>604,575</u>
Net change in fund balances	17,398	-	2,579	-	(144,181)	(124,204)
<b>FUND BALANCES, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,714</u>	<u>177,714</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 17,398</u>	<u>\$ -</u>	<u>\$ 2,579</u>	<u>\$ -</u>	<u>\$ 33,533</u>	<u>\$ 53,510</u>

# 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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
<b>Ad valorem taxes:</b>				
Property taxes	\$ 7,119,012	\$ 7,119,012	\$ 7,430,614	\$ 311,602
Total ad valorem taxes	7,119,012	7,119,012	7,430,614	311,602
<b>Sales tax:</b>				
Local option sales tax	2,714,000	2,714,000	3,011,725	297,725
<b>Intergovernmental revenues:</b>				
Beer and wine tax	52,100	52,100	50,679	(1,421)
Federal and State grants	1,837,407	1,875,706	1,948,596	72,890
ABC Revenue	5,000	5,000	5,892	892
Total intergovernmental revenues	1,894,507	1,932,806	2,005,167	72,361
<b>Charges for services:</b>				
Other charges	154,284	187,284	126,916	(60,368)
Total charges for services	154,284	187,284	126,916	(60,368)
<b>Investment earnings</b>	9,000	9,000	16,606	7,606
<b>Licenses, permits and fees:</b>				
Privilege licenses	165,143	165,143	161,754	(3,389)
Franchise fees	1,600	1,600	1,209	(391)
Total licenses, permits and fees	166,743	166,743	162,963	(3,780)
<b>Miscellaneous revenues:</b>				
Other	329,536	349,140	67,187	(281,953)
Total miscellaneous revenues	329,536	349,140	67,187	(281,953)
<b>Total revenues</b>	12,387,082	12,477,985	12,821,178	343,193

*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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current:</b>				
<b>General Government:</b>				
Governing body	\$ 75,932	\$ 75,547	\$ 70,057	\$ 5,490
Board of elections	138,502	138,537	129,169	9,368
Finance and administrative services	413,085	436,434	415,578	20,856
Customer service	48,029	48,488	46,703	1,785
Tax administration	293,608	291,706	272,207	19,499
Court facilities	20,000	20,000	18,733	1,267
Legal	30,000	24,317	12,900	11,417
Register of deeds	129,832	128,074	126,639	1,435
Buildings and grounds	403,752	405,132	367,755	37,377
Total	1,552,740	1,568,235	1,459,741	108,494
<b>Public Safety:</b>				
Sheriff	1,029,500	1,251,474	963,514	287,960
Emergency management	490,988	504,667	472,164	32,503
Jail	270,000	281,500	274,933	6,567
Fire protection	66,476	66,476	64,994	1,482
Building inspector	166,412	163,046	149,850	13,196
Medical examiner	10,000	10,000	6,850	3,150
Rescue squad	812,000	812,000	812,000	-
Animal control	64,179	64,179	53,235	10,944
Total	2,909,555	3,153,342	2,797,540	355,802
<b>Human Services:</b>				
Health	149,246	149,246	150,138	(892)
Social services administration	1,288,276	1,309,360	1,251,682	57,678
Special assistance for adults	125,000	125,000	102,437	22,563
Medical assistance	5,000	5,000	762	4,238
Special service services	133,698	143,341	89,047	54,294
Special appropriations	88,082	93,542	92,392	1,150
Total	1,789,302	1,825,489	1,686,458	139,031
<b>Education:</b>				
Current expenditures	2,858,000	2,858,000	2,858,000	-
College of Albemarle expenditures	6,000	6,000	6,000	-
Total	2,864,000	2,864,000	2,864,000	-
<b>Economic Development:</b>				
Planning and zoning	127,750	123,993	117,152	6,841
Soil and water conservation	143,794	121,095	96,102	24,993
Cooperative extension service	264,786	273,663	246,509	27,154
GITS	622,969	663,352	524,886	138,466
Total	1,159,299	1,182,103	984,649	197,454

*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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Culture and Recreation:</b>				
Libraries	\$ 98,100	\$ 98,100	\$ 98,100	\$ -
Recreation	243,763	243,763	243,763	-
Total	<u>341,863</u>	<u>341,863</u>	<u>341,863</u>	<u>-</u>
<b>Debt Service:</b>				
Principal	961,411	961,411	961,410	1
Interest	362,467	362,467	362,466	1
Total	<u>1,323,878</u>	<u>1,323,878</u>	<u>1,323,876</u>	<u>2</u>
Total expenditures	<u>11,940,637</u>	<u>12,258,910</u>	<u>11,458,127</u>	<u>800,783</u>
Excess of revenues over expenditures	446,445	219,075	1,363,051	1,143,976
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	19,000	19,000	9,134	(9,866)
Transfers in	548,241	775,611	755,687	(19,924)
Transfers out	(1,013,686)	(1,013,686)	(1,011,100)	2,586
Total other financing (uses)	<u>(446,445)</u>	<u>(219,075)</u>	<u>(246,279)</u>	<u>(27,204)</u>
Net change in fund balances	-	-	1,116,772	1,116,772
<b>Fund balance, beginning of year</b>	<u>2,914,306</u>	<u>2,914,306</u>	<u>2,914,306</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 2,914,306</u></u>	<u><u>\$ 2,914,306</u></u>		<u><u>\$ 1,116,772</u></u>
<b>Reconciliation to GAAP statements:</b>				
Beginning fund balance, Register of Deeds Automation Fund			10,293	
Change in fund balance in Register of Deeds Automation Fund			4,328	
Beginning fund balance, Transit Fund			48,201	
Beginning fund balance, Revaluation Fund			201,460	
Change in fund balance in Revaluation Fund			36,255	
<b>Fund balance, General Fund</b>			<u><u>\$ 4,331,615</u></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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Permits and fees	\$ 5,000	\$ 5,000	\$ 4,278	\$ (722)
Investment earnings	-	-	50	50
Total revenues	5,000	5,000	4,328	(672)
<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	-	-	4,328	4,328
<b>Fund balance, beginning of year</b>	10,293	10,293	10,293	-
<b>Fund balance, end of year</b>	\$ 10,293	\$ 10,293	\$ 14,621	\$ 4,328

# 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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Expenditures</b>				
Education	\$ 200,000	\$ 200,000	\$ 200,000	\$ -
General government				
Capital outlay	157,431	157,431	98,453	58,978
Total expenditures	357,431	357,431	298,453	58,978
<b>Other financing sources</b>				
Transfers in	357,431	357,431	298,453	58,978
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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
<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	-	-	36,255	36,255
<b>Fund balance, beginning of year</b>	-	-	201,460	201,460
<b>Fund balance, end of year</b>	\$ -	\$ -	\$ 237,715	\$ 237,715



**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, 2020**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total
<b>REVENUES</b>				
Intergovernmental	\$ 2,500,000	\$ 2,197,479	\$ 302,521	\$ 2,500,000
Investment earnings	93,810	154,561	52,123	206,684
Total revenues	<u>2,593,810</u>	<u>2,352,040</u>	<u>354,644</u>	<u>2,706,684</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>10,793,810</u>	<u>4,325,187</u>	<u>5,462,984</u>	<u>9,788,171</u>
Deficiency of revenues over expenditures	(8,200,000)	(1,973,147)	(5,108,340)	(7,081,487)
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of long-term debt	8,200,000	8,200,000	-	8,200,000
Transfers out	-	(533,970)	(93,810)	(627,780)
Total other financing sources (uses)	<u>8,200,000</u>	<u>7,666,030</u>	<u>(93,810)</u>	<u>7,572,220</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 5,692,883</u>	(5,202,150)	<u>\$ 490,733</u>
<b>Fund balance, beginning of year</b>			<u>5,692,883</u>	
<b>Fund balance, end of year</b>			<u>\$ 490,733</u>	

# 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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 620,000	\$ 620,000	\$ 676,392	\$ 56,392
Increase in fund balance	(620,000)	(620,000)	-	620,000
Total other financing sources (uses)	-	-	676,392	676,392
Net change in fund balances	-	-	676,392	676,392
<b>Fund balance, beginning of year</b>	870,499	870,499	870,499	-
<b>Fund balance, end of year</b>	\$ 870,499	\$ 870,499	\$ 1,546,891	\$ 676,392

# 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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 126,439	\$ 141,249	\$ 150,580	\$ 9,331
Investment earnings	-	-	825	825
Total revenues	<u>126,439</u>	<u>141,249</u>	<u>151,405</u>	<u>10,156</u>
<b>EXPENDITURES</b>				
Public safety	136,130	142,149	134,007	8,142
Deficiency of revenues over expenditures	(9,691)	(900)	17,398	18,298
<b>OTHER FINANCING SOURCES</b>				
Appropriation of fund balance	9,691	900	-	(900)
Total other financing sources	<u>9,691</u>	<u>900</u>	<u>-</u>	<u>(900)</u>
Net change in fund balances	-	-	17,398	17,398
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,398</u>	<u>\$ 17,398</u>

# 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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Fire protection fees	\$ 260,000	\$ 260,000	\$ 243,434	\$ (16,566)
Total revenues	260,000	260,000	243,434	(16,566)
<b>EXPENDITURES</b>				
Public safety	260,000	260,000	243,434	16,566
Total expenditures	260,000	260,000	243,434	16,566
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

**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, 2020**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 80,195	\$ 80,195	\$ 80,195	\$ -
Total revenues	<u>80,195</u>	<u>80,195</u>	<u>80,195</u>	<u>-</u>
<b>EXPENDITURES</b>				
Economic development	80,195	80,195	80,195	-
Total expenditures	<u>80,195</u>	<u>80,195</u>	<u>80,195</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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, 2020**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total
<b>REVENUES</b>				
Miscellaneous donations	\$ 72,508	\$ 70,000	\$ 2,508	\$ 72,508
Total revenues	<u>72,508</u>	<u>70,000</u>	<u>2,508</u>	<u>72,508</u>
<b>EXPENDITURES</b>				
Old courthouse restoration	1,111,701	931,479	146,689	1,078,168
Total expenditures	<u>1,111,701</u>	<u>931,479</u>	<u>146,689</u>	<u>1,078,168</u>
Deficiency of revenues over expenditures	(1,039,193)	(861,479)	(144,181)	(1,005,660)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	1,039,193	1,039,193	-	1,039,193
Total other financing sources	<u>1,039,193</u>	<u>1,039,193</u>	<u>-</u>	<u>1,039,193</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 177,714</u>	(144,181)	<u>\$ 33,533</u>
Fund balance, beginning of year			<u>177,714</u>	
Fund balance, end of year			<u>\$ 33,533</u>	

# 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, 2020

	Budget		Actual	Variance With
	Original	Final		Final Budget
<b>REVENUES</b>				
Transfer fees	\$ 1,116,480	\$ 1,116,480	\$ 1,028,105	\$ (88,375)
Intergovernmental	10,000	10,000	355	(9,645)
Other operating	21,000	21,000	31,263	10,263
Investment earnings	10	10	1,565	1,555
Total revenues	1,147,490	1,147,490	1,061,288	(86,202)
<b>EXPENDITURES</b>				
Administration	1,147,490	1,147,490	928,903	218,587
Total expenditures	1,147,490	1,147,490	928,903	218,587
Net change in fund balance	\$ -	\$ -	132,385	\$ (304,789)
Adjustments to full accrual:				
Depreciation expense			(560)	
Change in net position - GAAP Basis			\$ 131,825	

# 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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 1,122,000	\$ 1,122,000	\$ 1,205,346	\$ 83,346
Investment earnings	5,000	5,000	14,774	9,774
Miscellaneous	58,000	58,000	65,393	7,393
Total revenues	1,185,000	1,185,000	1,285,513	100,513
<b>EXPENDITURES</b>				
Water operations	1,153,250	1,153,250	860,594	292,656
Sewer operations	31,750	31,750	21,759	9,991
Total expenditures	1,185,000	1,185,000	882,353	302,647
Net change in fund balance	\$ -	\$ -	403,160	\$ 403,160
Adjustments to full accrual:				
Capital assets paid for by Waste Water Treatment Capital Project Fund			218,027	
Change in total OPEB liability and related deferrals			(286,606)	
Change in net pension liability and related deferrals			(21,064)	
Change in compensated absences			108	
Depreciation expense			(278,804)	
Change in net position - Waste Water Treatment Capital Project			(672,459)	
Change in net position - GAAP Basis			\$ (637,638)	



# GATES COUNTY, NORTH CAROLINA

## WASTE WATER TREATMENT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BASIS) PROJECT LIFE AS OF JUNE 30, 2020

	Project	Actual		
	Authorization	Prior Years	Current Year	Total
<b>REVENUES</b>				
Restricted intergovernmental	\$ 2,129,535	\$ 2,129,535	\$ -	\$ 2,129,535
Total expenditures	<u>2,129,535</u>	<u>2,129,535</u>	<u>-</u>	<u>2,129,535</u>
<b>EXPENDITURES</b>				
Capital outlay	5,583,003	4,642,495	218,027	4,860,522
Total expenditures	<u>5,583,003</u>	<u>4,642,495</u>	<u>218,027</u>	<u>4,860,522</u>
Deficiency of revenues over expenditures	(3,453,468)	(2,512,960)	(218,027)	(2,730,987)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,453,468	3,453,466	-	3,453,466
Transfers out	<u>-</u>	<u>-</u>	<u>(454,432)</u>	<u>(454,432)</u>
Total other financing sources (uses)	<u>3,453,468</u>	<u>3,453,466</u>	<u>(454,432)</u>	<u>2,999,034</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 940,506</u>	(672,459)	<u>\$ 268,047</u>
<b>Fund balance, beginning of year</b>			<u>940,506</u>	
<b>Fund balance, end of year</b>			<u>\$ 268,047</u>	

**GATES COUNTY, NORTH CAROLINA**

**COMBINING STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2020**

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<u>ASSETS</u>	Social Services Agency Fund	Town of Gatesville Agency Fund	Drainage Districts Agency Fund	Emergency Medical Service Agency Fund	Total
Cash	\$ 300	\$ 3,271	\$ 46	\$ 36,494	\$ 40,111
Total assets	\$ 300	\$ 3,271	\$ 46	\$ 36,494	\$ 40,111
<u>LIABILITIES</u>					
Due to others	\$ 300	\$ 3,271	\$ 46	\$ 36,494	\$ 40,111
Total liabilities	\$ 300	\$ 3,271	\$ 46	\$ 36,494	\$ 40,111

**GATES COUNTY, NORTH CAROLINA**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

		<u>Balance</u> <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2020</u>
<b><u>Social Services</u></b>					
<b>ASSETS</b>					
Cash		\$ 651	\$ 11,820	\$ (12,171)	\$ 300
Total assets		<u>\$ 651</u>	<u>\$ 11,820</u>	<u>\$ (12,171)</u>	<u>\$ 300</u>
<b>LIABILITIES</b>					
Due to others		\$ 651	\$ 11,820	\$ (12,171)	\$ 300
Total liabilities		<u>\$ 651</u>	<u>\$ 11,820</u>	<u>\$ (12,171)</u>	<u>\$ 300</u>
<b><u>Town of Gatesville</u></b>					
<b>ASSETS</b>					
Cash		\$ 14,815	\$ 62,731	\$ (74,275)	\$ 3,271
Total assets		<u>\$ 14,815</u>	<u>\$ 62,731</u>	<u>\$ (74,275)</u>	<u>\$ 3,271</u>
<b>LIABILITIES</b>					
Due to others		\$ 14,815	\$ 62,731	\$ (74,275)	\$ 3,271
Total liabilities		<u>\$ 14,815</u>	<u>\$ 62,731</u>	<u>\$ (74,275)</u>	<u>\$ 3,271</u>
<b><u>Drainage Districts</u></b>					
<b>ASSETS</b>					
Cash		\$ 54	\$ 8,062	\$ (8,070)	\$ 46
Total assets		<u>\$ 54</u>	<u>\$ 8,062</u>	<u>\$ (8,070)</u>	<u>\$ 46</u>
<b>LIABILITIES</b>					
Due to others		\$ 54	\$ 8,062	\$ (8,070)	\$ 46
Total liabilities		<u>\$ 54</u>	<u>\$ 8,062</u>	<u>\$ (8,070)</u>	<u>\$ 46</u>
<b><u>Emergency Medical Service</u></b>					
<b>ASSETS</b>					
Cash		\$ -	\$ 717,927	\$ (681,433)	\$ 36,494
Total assets		<u>\$ -</u>	<u>\$ 717,927</u>	<u>\$ (681,433)</u>	<u>\$ 36,494</u>
<b>LIABILITIES</b>					
Due to others		\$ -	\$ 717,927	\$ (681,433)	\$ 36,494
Total liabilities		<u>\$ -</u>	<u>\$ 717,927</u>	<u>\$ (681,433)</u>	<u>\$ 36,494</u>

**GATES COUNTY, NORTH CAROLINA**

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2020**

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 7,498,796	\$ 7,241,867	\$ 256,929
2018-2019	225,609	119	124,473	101,255
2017-2018	78,820	29	26,041	52,808
2016-2017	47,351	79	9,162	38,268
2015-2016	33,174	-	4,697	28,477
2014-2015	27,717	-	3,046	24,671
2013-2014	28,851	-	2,311	26,540
2012-2013	28,921	-	1,656	27,265
All prior	59,132	5	19,683	39,454
	<u>\$ 529,575</u>	<u>\$ 7,499,028</u>	<u>\$ 7,432,936</u>	595,667
				<u>(242,761)</u>
				<u>\$ 352,906</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 7,430,614
Reconciling items:				
Less 60 day collections				(42,172)
Interest and penalties				(46,700)
Miscellaneous adjustments				91,194
Total collections and credits				<u>\$ 7,432,936</u>

# GATES COUNTY, NORTH CAROLINA

## ANALYSIS OF CURRENT TAX LEVY COUNTY-WIDE LEVY JUNE 30, 2020

	County-wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current rate	\$ 983,054,150	0.0076	\$ 7,471,212	\$ 6,631,147	\$ 840,065
Discoveries:					
Current year tax	3,629,512	0.0076	27,584	27,584	-
Penalties	-		46,700	40,830	5,870
Total	<u>986,683,662</u>		<u>7,545,496</u>	<u>6,699,561</u>	<u>845,935</u>
Adjustments	(1,208,903)	0.0076	(9,188)	(9,188)	-
Total property valuation	<u>\$ 985,474,759</u>				
Net levy			7,536,308	6,690,374	845,935
Uncollected taxes at June 30, 2020			<u>(256,929)</u>	<u>(256,929)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 7,279,379</u>	<u>\$ 6,433,445</u>	<u>\$ 845,935</u>
Current levy collection percentage			<u>96.59%</u>	<u>96.16%</u>	<u>100.00%</u>