GATES COUNTY, NORTH CAROLINA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2025

Prepared by:
William Roberson
Finance Director

Submitted by:
Scott Sauer
County Manager

GATES COUNTY, NORTH CAROLINA

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BOARD OF COMMISSIONERS

Emily Truman, Chair
Jonathan Craddock, Vice Chair
Brian Rountree
Dave Forsythe
Nathan Berryman

OFFICIALS

County Manager
Scott Sauer

Clerk to the Board
Renee Draper

Finance Director
William Roberson

Register of Deeds
Mary Horton

Tax Administrator
Taylor Powell

Sheriff
Ray Campbell

FINANCIAL SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

Independent Auditor's Report

To the Board of Commissioners
Gates County
Gatesville, North Carolina

Report on the Audit of the Financial Statements

Opinions
We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **Gates County, North Carolina (the "County")**, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditor, the accompanying 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 the County as of June 30, 2025, 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.

We did not audit the financial statements of the Gates County Alcoholic Beverage Control Board (the "ABC Board") which represents 100% of the assets, net position, and revenue of the discretely presented component unit as of June 30, 2025. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the ABC Board is based solely on the report of the other auditor.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of our report. The financial statements of the ABC Board were not audited in accordance with *Government Auditing Standards*. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical reporting requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 5 - 24, 85 - 94, and 96 - 100, 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.

Supplementary 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, the schedule of ad valorem taxes receivable, the analysis of current tax levy, 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, the schedule of ad valorem taxes receivable, the analysis of current tax levy, 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 GAAS. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2026, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Mauldin & Jenkins, PLLC

Raleigh, North Carolina
January 30, 2026

GATES COUNTY, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2025

As management of Gates County (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County as of and for the fiscal year ended June 30, 2025. 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 and Overview

The General Fund is the principal operating fund of the County. At fiscal year ended June 30, 2025, the unassigned fund balance of the General Fund was $5,959,412 while total fund balance for the General Fund was $8,486,996.

Unassigned fund balance represents 36.16% of total General Fund expenditures (excluding transfers), while total fund balance represents 51.50% of that same amount.

Net change for the General Fund's fund balance (not consolidated) is $554,798 for the year ended June 30, 2025.

The fiscal year ended June 30, 3025 financial reporting reflects the efforts by the elected governing body to set priorities and budget targets for priority projects, compensation for staff and a realignment of county administration.

The adopted FY 2024-2025 budget ordinance included no change for the tax rate which remains 84 cents per $100 valuation and included funding for the eight-year octennial reappraisal of all real property effective January 1, 2025. The contract with Piner Appraisal, Inc. for the 2025 revaluation project was approved September 20, 2023, in the amount of $323,250. Current staff received a five percent cost-of-living adjustment beginning July 1, 2024.

Local property taxes for the fiscal year ended June 30, 2025, are reported in the amount of $8,763,064 or an increase of $182,288 or 2.1 percent above property taxes reported for the fiscal year ended June 30, 2024.

Sales tax receipts for the fiscal year ending June 30, 2025, are reported in the amount of $4,012,631 or a decrease of $7,205 or 0.2 percent below the sales tax receipts reported for the fiscal year ending June 30, 2024.

In each of the four most recent reporting periods, the Board of Commissioners adopted a General Fund budget with conservative economic forecasts and estimates for sales tax receipts as evidenced by comparing original sales tax revenue targets relative to the actual receipts or "positive variance" with original budget.

For the fiscal year ended June 30, 2025, actual sales tax receipts reflect a "positive variance" over the original budget of $273,318 or 7.3 percent.

For the fiscal year ended June 30, 2024, actual sales tax receipts reflect a "positive variance" over the original budget of $924,836 or 29.9 percent.

For the fiscal year ended June 30, 2023, actual sales tax receipts reflect a "positive variance" over the original budget of $960,759 or 32.3 percent.

For the fiscal year ended June 30, 2022, actual sales tax receipts reflect a "positive variance" over the original budget of $891,124 or 32.2 percent.

Appropriated fund balance in the amended budget for the General fund for the fiscal year ended June 30, 2025, is reported as $711,254 and at the close out of the fiscal year, the net change in fund balance was an increase of $554,798.

Increased fund balance appropriations approved by the Board of Commissioners during FY 2024-2025 total $219,154 and reflect budget amendments primarily attributable to $153,970 to carryover ARPA funds, $38,784 to cover Merchants Commerce Feasibility study, $12,000 to cover Regional Jail study and $14,400 to refund termite service contracts.

FY 2024-2025 for Gates County, was a year of continued organization change and programmatic realignment including:

- Perquimans-Gates 911 Communications – completed first twelve months of operation as a consolidated emergency telecommunications PSAP (public safety answering point) and expenditures for Gates County reported at $775,986 as of June 30, 2025. Prior year expenditures including the consolidation effective March 1, 2024, totaling $720,797.
- Gates County Community Center and Recreation Department – completed first twelve months of operation as a County department reported expenditures of $373,078. Prior year expenditures reported at $274,535 reflect the County's contribution to the Board of Education under the previous 25 year agreement.
- Animal Control – completed first twelve months of operation as a separate County department following realignment of supervision under County Administration reported expenditures at $136,789. Prior year expenditures reported at $93,435 reflect previous operation under the Office of the Sheriff.

Long-term Regulatory Challenges

- NC Department of Environmental Quality, in November 2017, served notice of a **Sewer Moratorium for Permit No. WQ0000267**. NCDEQ determined at the time "the Gates County WWTF is unable to adequately collect and treat waste tributary to its wastewater treatment facility." The sewer moratorium (with no new sewer taps, sewer extensions, or additional flow) at Gates County's wastewater treatment became effective January 13, 2018.
- Gates County's designation by the NC Department of Environmental Quality and the Local Government Commission as a **"distressed unit" for the County's water and wastewater systems** in August 2022 served as an important call to action for the Board of Commissioners.
- In August 2024, Gates County's water system was ranked number one in North Carolina for its elevated levels of fluoride in its groundwater, which is naturally occurring. The Board of Commissioners immediately implemented a fluoride mitigation strategy with accelerated water sampling, well pump performance testing, and a hydrogeologic study and analysis of aquifers; and the next phase is a "pilot test" to evaluate water quality, providing data to identify the most practicable advance treatment strategies for the County to consider.

NC General Assembly's 2023-2025 Biennium Appropriation was presented to the County on October 2, 2023, by Representative Bill Ward and Senator Bobby Hanig in the amount of $10,145,000 for the County and the Town of Gatesville consolidated water and sewer system providing funds for the County's infrastructure capital improvement plan implementation.

In January 2024, the Gates County Board of Commissioners and the Town of Gatesville Mayor and Council Members met to review priorities and items of mutual interest for the coming year, including the infrastructure funding for the improvement of water and wastewater systems operated by the County.

Infrastructure History

- Gates County's water system is a consolidation of the Town of Gatesville water system constructed in the early 1970s and the County's water system constructed in the early 1980s. The cooperative merger of these two water systems became effective October 1, 2013, and the Gates County Water System serves approximately 4,663 active water customer accounts. The County's population is 9,982 as of July 1, 2024 per the NC Office of State Budget and Management. The Town of Gatesville's population is 261 and this municipality of 0.4 square miles or (1.0 km2) remains an unsewered community.

- Gates County's water system consists of approximately 322 miles of water lines and 400 miles of state-maintained roads; four elevated storage tanks, three wells and one 100,000-gallon ground storage tank. The County's water treatment plant was permitted in 1980 and designed to remove Fluoride using activated aluminum, sodium hydroxide, sulfuric acid, and chlorine. At the State's recommendation the activated aluminum Fluoride removal system was shut down in 1989.

- Northeastern North Carolina and the tidewater Virginia as a region, for centuries has experienced naturally occurring high levels of Fluoride in the groundwater. In Gates County, state records dating back to 1976 indicate water from the Paleocene and Cretaceous aquifers, particularly in the vicinity of Gatesville and Sunbury contain excessive amounts of Fluoride, as much as 6 to 8 parts per million.

- Gates County's wastewater system (Permit No. WQ000267) consists of two wastewater treatment plants, the first of which was constructed in 1989 to provide sewer service to a state prison facility in Gatesville. The state prison was closed a decade later, and the property and 0.025 MGD wastewater treatment plant (WWTP) was conveyed to Gates County. NCEQ derated this WWTP to 0.015 MGD in 2012 due to on-site run off at the spray application field located on Honey Pot Road and currently serves only seven (7) non-residential customers, including two schools.

- In 2017 the County upgraded the pumping station on Honey Pot Road and constructed a second 0.04 MGD Sequential Batch Reactor WWTP on Hill Lane (north of US Highway158) intended to provide additional operational relief to the original 0.015 MGD WWTP constructed in 1989. The 0.040 MGD Sequential Batch Reactor (lagoon and mechanical storage system) prior to pumping to the spray field). The SBR plant constructed in 2018 *was never permitted by the State, nor operational for six (6) years.*

- On March 8, 2024, NCDEQ issued a "Letter of Intent to Fund" for the Restoration of Gates County's original 0.015 MGD Wastewater Treatment Plant in the amount of $2,217,816 from the September 2023 Application Cycle. This restoration project is being designed based on the Soils Remediation Study for the 0.015 MGD WWTP as part of the Wastewater AIA study and will be completed in December 2025.

- As of October 2024, NCDEQ's Division of Water Resources is allowing flow of wastewater to the new 0.040 MGD SBR plant, and the current sewer moratorium prohibiting new connections will remain in effect until the original 0.015 MGD WWTP is fully restored to operational status.

Moving Forward

- Gates County is taking bold steps to build a management team and seek out resources to upgrade our nearly fifty-year-old infrastructure, correct the mistakes of the past; improve current operations and plan, invest and prepare for the next fifty years. When Gates County's current Public Utilities Director was appointed in April of 2022, the Department of Public Utilities office was void of records—no maintenance logs, no operational reports or any of the required documentation for a water system, and two wastewater facilities.

- The Gates County Board of Commissioners has set strategic priorities and adopted a ten-year capital improvement plan for water and wastewater infrastructure based on the North Carolina General Assembly's S.L. 2023-134 appropriation of $10,145,000 to Gates County for directed projects. The Board of Commissioners has also successfully secured NCDEQ Division of Water Infrastructure state revolving funds and ARPA grants totaling $7.3 million, including two AIA grants for the water and wastewater systems, and these studies are near completion and providing for the hydraulic analysis for the water and wastewater systems, a key component for project development and daily operations.

Gates County is immediately targeting several key areas:

- New Radio Read Water Meters replacement – using County funds, after identifying twenty-five percent (25%) of the County's 4,663 customers have faulty or inoperative water meters, through the America Rescue Plan Act. By updating the "cash register" for the water and wastewater systems, the County will be able to return to a monthly billing schedule and eliminate a confusing bi-monthly billing cycle for the past four years due to staff shortages and system deficiencies now being addressed by the Board of Commissioners.

- Long term maintenance issues such as numerous water line leaks, neglected for many years, are being addressed and the County acquired ground penetrating radar using local funds to identify water lines not accurately recorded on as-built drawings.

- Gates County immediately initiated aggressive sampling groundwater, testing for fluoride levels, engaging consultants to conduct hydrogeological analysis to aid in the evaluation of long-term water treatment alternatives. The most recent twelve months of testing indicates the average effluent leaving the Gates County water treatment plant yields a fluoride level of 3.02 mg/L, the highest concentration of any public water system in the State of North Carolina as reported in 2024. Gates County's fluoride mitigation project includes more than $600,000 in local funds committed to water sampling, well performance testing, "packer test" to ensure well screens are adequately functioning, and installation of new submersible pumps at two of the County's water supply wells. Next steps include "pilot testing" for water quality analysis to determine most practicable advanced water treatment system to accomplish fluoride reduction target of 0.7 mg/L.

NC General Assembly's 2023-2025 Biennium Appropriation

S.L. 2023-134 FUND - Directed Project Appropriation (100% Grant)

Bennetts Creek Directional Bore & Line Extension SRP-D-134-153 CN1	$ 256,686	6" water main extension - 1,815 LF and direction bore
Carters Road/Trotman Creek Directional Bore SRP-D-134-153 CN2	$ 112,423	Directional Bore
SCADA Upgrade SRP-D-134-153 CN3	$ 261,875	System control and data acquisition
Water Plant Improvements SRP-D-134-153 CN4	$ 357,975	Water Plant Upgrages
Gatesville Transmission (Ashton Lewis) SRP-D-134-154 CN1	$ 2,589,697	12" transmission main - 16,000 LF to Ashton-Lewis Lumber Company
Hwy 158 Water System Improvements (Ext. to Merchant Comm. Center) SRP-D-134-154 CN2	$ 1,895,617	12" water main extension - 9,800 LF to Merchants Commerce Center
Water Tank Replacement and Resiliency SRP-D-134-154 CN3	$ 2,092,396	300,000 gallon elevated storage tank to replace Gatesville existing tank
Water Supply Deep Wells SRP-D-134-154 CN4	$ 2,141,244	Two (2) deep wells 500 gmp
Merchants Mill Pond State Park Force Main SRP-D-134-152 CN1	$ 284,912	Project Canceled-incorporated in SRF T.S. Cooper project. Available reserve.
S.L. 2023-134 Total:	**$ 9,992,825**	**Directed Project Appropriation**

Project Financing

FY 2024-2025 as reported previously, included the implementation of the County's Capital Improvement Plan for the Department of Public Utilities water and wastewater projects are summarized below. Please note the S.L. 2023-134 Directed Project Appropriation for Gates County of $10,145,000 is reported as $9,992,825 to reflect the administrative fees (1.5%) assessed by NCDEQ.

Gates County NCDEQ ARPA Projects and State Revolving Fund Related Financing

NCDEQ - Division of Water Infrastructure	Cost	Source(s) of $ Grant or Loan
AIA Water System AIA-D-ARP-0286	$ 383,000	100 % Grant
AIA Wastewater System AIA-W-ARP-0287 / AIA-W-VUR-0030	$ 250,000	100 % Grant
WWTP Restoration SRF-W-0011	$ 2,217,816	$1.5 M Grant $717,816 Loan
Lead Line Investigation Study SRF-D-LSL-0069	Original $328,000 Final $111,050	35% Grant $38,867 65% Loan $72,183
T.S. Cooper Pump Station & Force Main SRF-W-0023	$ 2,816,052	$2.0 M Grant $816,052 Loan
Buckland Pump Station & Force Main SRF-W-0024	$ 1,305,333	$326,333 Grant $979,000 Loan
NC DEQ - DWI Total:	**$ 7,300,201**	

Lead Service Line Study - Project Complete		
State Revolving Fund	SRF-D-LSL-0069	
Loan Amount financed at 0% interest for five years:	$213,200	65%
Principal Forgiveness(grant):	$114,800	35%
Total Project financing:	$328,000	

Project Details

*Study finished October 2024, final cost $111,050

*NCDEQ approved July 2025

*Revised Loan: $72,183; Revised Grant $38,867

Accelerated Loan Prepayments: FY25 $42,640; FY26 $29,543

NCDEQ State Revolving Fund – Debt Service

0.015 MGD Wastewater Treatment Plant Restoration

NC Clean Water State Revolving Loan Fund SRF-W-0011

Loan Amount financed at 0% interest for twenty years: $717,816

Principal Forgiveness (grant): $1,500,000

Total Project financing: $2,217,816

Annual Debt Service: $35,891

Project Details

* Lagoon liner replacement

* Replacement of land application piping, sprinkler heads, chemical feed system, flow meter, and installation of emergency generator and SCADA System.

T.S. Cooper Elementary School Wastewater Improvements

NC Clean Water State Revolving Loan Fund SRF-W-0023

Loan Amount financed at 0% interest for twenty years: $816,052

Principal Forgiveness (grant): $2,000,000

Total Project financing: $2,816,052

Annual Debt Service: $40,803

Project Details

* Decommissioning/removal of onsite wastewater treatment facilities.

* Installation of pump station and standby generator

* Construction of 41,500 linear feet of 4-inch force main to convey wastewater from the school to the county's collection system for SBR treatment.

Buckland Elementary School Wastewater Improvements

NC Clean Water State Revolving Loan Fund SRF-W-0024

Loan Amount financed at 1.037% interest for twenty years: $979,000

Principal Forgiveness (grant): $326,333

Total Project financing: $1,305,333

Annual Debt Service: $54,186

Project Details

* Decommissioning/removal of onsite wastewater treatment facilities.

* Installation of pump station and standby generator

* Construction of 14,500 linear feet of 4-inch force main to convey wastewater from the school to the county's collection system for SBR treatment.

Note: SRF debt service payments begin six months after project completion. SRF total debt for twenty years is $2,512,868 (Principal) and $104,132 (Interest) totaling $2,617,000. $130,880 annual debt service – payment source school Capital Reserve.

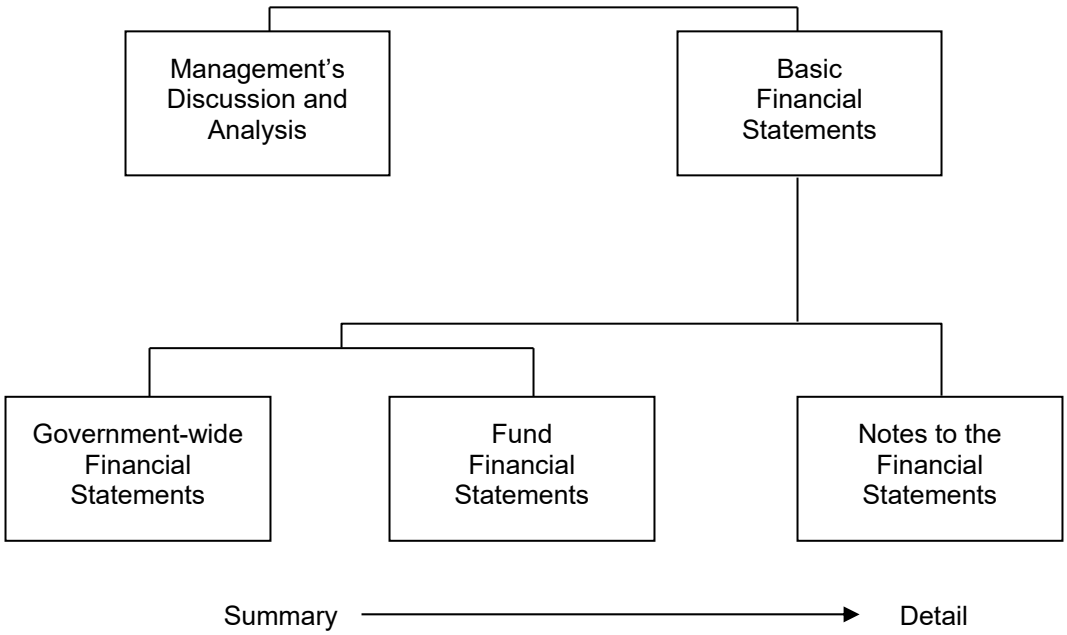
Three SRF Projects – Grant $3,826,333
Loan $2,512,868
Total Cost $6,339,201

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of 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 using government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

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

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

The government-wide financial statements include not only the County itself (known as the primary government), but also the Gates County ABC Board for which the County is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.
The government-wide financial statements can be found on pages 25 - 26 of this report.

Fund Financial Statements

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

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

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning page 40 of this report.

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

Government-wide Financial Analysis

Gates County's Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 14,404,376	$ 14,360,464	$ 3,836,149	$ 4,050,680	$ 18,240,525	$ 18,411,144
Capital assets	8,634,101	8,368,464	9,323,640	8,568,323	17,957,741	16,936,787
Total assets	23,038,477	22,728,928	13,159,789	12,619,003	36,198,266	35,347,931
Total deferred outflows of resources	2,546,033	3,037,608	633,682	678,125	3,179,715	3,715,733
Long-term liabilities	12,423,557	12,674,605	2,189,460	1,515,240	14,613,017	14,189,845
Other liabilities	1,062,170	1,924,163	58,896	323,241	1,121,066	2,247,404
Total liabilities	13,485,727	14,598,768	2,248,356	1,838,481	15,734,083	16,437,249
Total deferred inflows of resources	2,339,151	1,892,334	503,209	499,034	2,842,360	2,391,368
Net position:						
Net investment in capital assets	8,122,426	8,065,548	9,117,704	8,568,323	17,240,130	16,633,871
Restricted	5,369,711	6,803,233	-	-	5,369,711	6,803,233
Unrestricted	(3,732,505)	(5,593,347)	1,924,202	2,391,290	(1,808,303)	(3,202,057)
Total net position	$ 9,759,632	$ 9,275,434	$ 11,041,906	$ 10,959,613	$ 20,801,538	$ 20,235,047

As noted earlier, net position, over time, may serve as a useful indicator of a government's financial position. For the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $20,801,538 at the close of the most recent fiscal year. The County's net position increased by $566,491 for the fiscal year ended June 30, 2025.

One of the largest portions of the County's net position reflects the County's net investment in capital assets (e.g., land, buildings, machinery and equipment). The County reported net investment in capital assets of $17,240,130, which represents 82.9% of the County's total net position. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to repay these liabilities.

At the end of the current fiscal year, the County is reporting a deficit in unrestricted net position in the amount of ($1,808,303) for the government as a whole. It should be noted that the County is carrying roughly $5.4 million in debt related to Gates County Public Schools, of which, the County has transferred the completed assets to Gates County Public Schools who is responsible for the operation and cost of repairs and maintenance to the asset. In essence, the County's deficit in unrestricted net position for governmental activities ($3,732,505) is roughly equal to the balance of the outstanding debt that the County is carrying for Gates County Public Schools because the County is carrying the liability without the offsetting asset.

Gates County's Changes in Net Position
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program revenues						
Charges for services	$ 929,812	$ 613,771	$ 2,535,965	$ 2,835,995	$ 3,465,777	$ 3,449,766
Operating grants and contributions	3,083,262	3,278,034	1,060,429	35,551	4,143,691	3,313,585
Capital grants and contributions	5,460,372	2,622,161	-	-	5,460,372	2,622,161
General revenues						
Property taxes	8,790,507	8,659,007	-	-	8,790,507	8,659,007
Local option sales tax	4,012,631	4,019,836	-	-	4,012,631	4,019,836
Other items	95,155	61,810	-	4,490	95,155	66,300
Interest earnings	287,997	133,706	6,657	10,763	294,654	144,469
Total revenues	22,659,736	19,388,325	3,603,051	2,886,799	26,262,787	22,275,124
Expenses						
General government	3,286,005	2,783,021	-	-	3,286,005	2,783,021
Public safety	5,024,482	4,870,444	-	-	5,024,482	4,870,444
Human services	2,260,581	2,226,165	-	-	2,260,581	2,226,165
Education	8,982,782	4,606,559	-	-	8,982,782	4,606,559
Economic and physical development	1,552,105	1,421,858	-	-	1,552,105	1,421,858
Culture and recreation	575,496	470,353	-	-	575,496	470,353
Interest on long-term debt	139,170	155,601	-	-	139,170	155,601
Landfill	-	-	1,166,909	1,051,261	1,166,909	1,051,261
Water	-	-	2,708,766	1,673,278	2,708,766	1,673,278
Total expenses	21,820,621	16,534,001	3,875,675	2,724,539	25,696,296	19,258,540
Increase (decrease) before transfers	839,115	2,854,324	(272,624)	162,260	566,491	3,016,584
Transfers	(354,917)	(1,300,500)	354,917	1,300,500	-	-
Change in net position	484,198	1,553,824	82,293	1,462,760	566,491	3,016,584
Net position, beginning	9,275,434	6,861,402	10,959,613	9,496,853	20,235,047	16,358,255
Error Correction	-	860,208	-	-	-	860,208
Net position, restated	9,275,434	7,721,610	10,959,613	9,496,853	20,235,047	17,218,463
Net position, ending	$ 9,759,632	$ 9,275,434	$ 11,041,906	$ 10,959,613	$ 20,801,538	$ 20,235,047

Governmental Activities. Governmental activities increased the County's net position by $484,198. Key elements of this increase are as follows:

- The largest factors that contributed to the increase were increases in State lottery funds for school construction and renovations.

Business-type Activities. Business-type activities increased the County's net position by $82,293.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $11,476,919, an increase of $69,101 in comparison with 2024

The General Fund is the principal operating fund of the County. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $5,959,412 while total fund balance for the General Fund was $8,486,996. 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 36.16% of total General Fund expenditures (excluding transfers), while total fund balance represents 47.92% of that same amount.

The School Capital Outlay Fund is used to account for financial resources set aside for school district capital improvements and other projects permitted by NC General Statutes. The County collected $332,599 in Article 40 Restricted Sales Tax, $264,655 in Article 42 Restricted Sales Tax and $1,041,596 in Article 44 Sales Tax. These funds support the County's School Capital Reserve Fund, and the County used $542,020 for debt repayment of the Central Middle School project in the fiscal year ended June 30, 2025. The net transfer from the General Fund to the School Capital Outlay fund increased the fund balance by $20,395. The total restricted fund balance of $2,254,017 can be used on projects in future years or future debt payments for school capital projects. It should be noted that the NC General Assembly approved the Article 44 one-half percent sales and use tax expanded purposes to include economic development, public education, and community colleges per NCGS 105-524.

The COVID-19 Relief Fund is used to account for resources received by the County from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act, and the related costs incurred in responding to the COVID-19 pandemic. The County spent the remaining $500,000 on the following obligated projects: Public Utilities Capital Outlay, installation of Automated External Defibrillators, and Merchant Commerce Center Project. The Fund was closed out during the year ended June 30, 2025.

The School Lottery Fund is used to account for school renovations from state lottery grant proceeds. The total intergovernmental revenues of $56,023 to help provide college scholarships and school transportation.

The Opioid Settlement Fund accounts for the County's share of a nation-wide billion-dollar settlement related to multiple opioid lawsuits. The proceeds are to be used for abatement and remediation activities. The County received $85,763 as part of this settlement during the year ended June 30, 2025.

The Needs-based Grant Gatesville Elementary Fund accounts for school renovations and roof replacement from needs-based lottery grant proceeds. The County received $441,906 of intergovernmental revenues during the year ended June 30, 2025.

The Needs-based Grant GCHS Fund accounts for school renovations, roof replacement and construction of new classrooms from needs-based lottery grant proceeds. The County received $5,035,821 of intergovernmental revenues during the year ended June 30, 2025.

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 $407,010.

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

Unrestricted net position on June 30, 2025, was $280,980 and $1,643,222 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 $17,957,741 (net of accumulated depreciation) as of June 30, 2025. These assets include land buildings, other improvements, equipment, vehicles, plant and systems, right-to-use assets.

Gates County's Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 1,738,007	$ 1,738,007	$ 432,336	$ 432,336	$ 2,170,343	$ 2,170,343
Construction in progress	-	42,000	599,895	-	599,895	42,000
Buildings and improvements	3,104,828	3,214,796	-	-	3,104,828	3,214,796
Other improvements	1,397,516	1,306,681	-	-	1,397,516	1,306,681
Plant and distribution systems	-	-	8,014,459	8,070,190	8,014,459	8,070,190
Equipment	1,463,020	1,627,331	94,790	65,284	1,557,810	1,692,615
Vehicles	410,627	439,649	-	513	410,627	440,162
Right-to-use lease assets	520,103	-	182,160	-	702,263	-
Total capital assets	$ 8,634,101	$ 8,368,464	$ 9,323,640	$ 8,568,323	$ 17,957,741	$ 16,936,787

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

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

Gates County's Long-term Obligations

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Notes payable	$ -	$ 302,916	$ 29,542	$ -	$ 29,542	$ 302,916
Bonds payable	5,330,000	5,740,000	-	-	5,330,000	5,740,000
Lease Liability	511,675	-	176,394	-	688,069	-
Compensated absences	458,199	387,618	58,706	50,503	516,905	438,121
Net pension liability (LGERS)	2,396,528	2,353,622	392,823	389,734	2,789,351	2,743,356
Total pension liability (LEOSSA)	167,728	103,820	-	-	167,728	103,820
Total OPEB liability	3,559,427	3,786,629	1,265,747	1,075,003	4,825,174	4,861,632
Total long-term liabilities	$ 12,423,557	$ 12,674,605	$ 1,923,212	$ 1,515,240	$ 14,346,769	$ 14,189,845

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the County is $76,930,995.

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

Economic Factors and Next Year's Budget and Rates

- The tax rate for the fiscal year ending 2026 is $0.67 per $100 of assessed property value, following the octennial revaluation effective January 1, 2025. It should also be noted that the Board of Commissioners approved a tax rate that is a decrease of seventeen cents ($0.17) less than the prior tax rate of $0.84 and is held to an increase of one cent ($0.01) above the revenue neutral tax rate of $0.66.

- 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 ended June 30, 2025.

- However, the deficit position of the Landfill Fund in net cash provided by operating activities in the amount of $(165,229) will require the fiscal examination of a potential fee increase for residential solid waste disposal.

Budget Highlights for the Fiscal Year Ending June 30, 2026

Governmental Activities. During fiscal year 2026, the County will continue to control the cost of government while growing revenue through property tax base and sales tax growth. The County will strive for continuous improvement and efficiency in all governmental service areas and update fiscal policies as appropriate.

Enterprise Activities. In fiscal year 2026, the base water and sewer rates will be $29 for the first 2,000 gallons and $48 for the first 2,000 gallons, respectively. The County will be examining the water and wastewater rate studies in the development of the next budget cycle, and adjustments may be required to meet long term sustainability for these infrastructure services.

Significant progress continues for the conversion from fifty-year-old water meters to new radio read water meter for the water system's 4,700 customers, and concluding with the return to monthly billing cycle from the bi-month billing schedule. Operationally, the Public Utilities Department will focus on evaluating water supply and treatment options to address naturally occurring fluoride levels in the groundwater which exceed State monitoring limits.

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.

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.

Statutory Calculation of Fund Balance Available for Appropriation At June 30
Restricted - Stabilization by State Statute

Fund Balance Available for Appropriation - G.S. §159-8(a)	**6/30/2011 and Later**	

Calculation

		Total	Without Including Restricted Cash
Fund Balance Available for Appropriation - G.S. §159-8(a)			
Unrestricted Cash and Investments		$ 7,464,748	$ 7,464,748
Restricted cash and investments (This would normally include Powell Bill, Bond Proceeds, consolidated funds such as capital reserve funds or tax revaluation funds)		117,260	
	Liabilities excluding those to be paid from restricted cash	745,147	745,147
	Liabilities to be paid from restricted cash not included above	---	
	Encumbrances at June 30 (listed in the notes)	---	---
	Deferred or Unearned Revenues Arising from Cash Receipts	30,308	30,308
✓	**Fund Balance Available for Appropriation**	**$ 6,806,553**	**$ 6,689,293**
Total Fund Balance (From Audited Financial Statements)		8,486,996	
Total Restricted by State Statue		$ 1,680,443	
Restricted by State Statute Presented on Financial Statements			
Less	Non Spendable - Inventory	2,140	
	Non Spendable - Prepaids	---	
	Other Non Spendable amounts	---	
✓	**Restricted - Stabilization by State Statute (LGC calculation)**	**$ 1,678,303**	
Restricted - Stabilization by State Statute (From Audited Financial Statemen		$ 1,678,303	

Restricted - Stabilization by State Statute Correctly Reported.

Analysis	Total	Without Including Consolidated Funds
Expenditures - General Fund		
Total Expenditures - General Fund	$ 16,478,801	$ 16,478,801
Adjustments		
Transfers Out	1,232,768	1,232,768
Issuance of Capital Leases & Installment Purchases	---	---
Total Expenditures (As Adjusted)	$ 17,711,569	$ 17,711,569
✓ **Fund Balance Available as % of Expenditures**	**38.43 %**	**37.77 %**

Counties and Municipalities may use this link to compare current information with their performance in prior fiscal years or with the ratios of their peer group.

North Carolina County and Municipal Financial Information

Gates County General Fund

Fiscal Year	Fund Balance June 30	Unassigned Fund Balance June 30	Cash
2024-2025	$ 8,486,996	$ 5,959,412	$ 7,464,748
2023-2024	$ 8,064,191	$ 3,300,536	$ 5,475,775
2022-2023	$ 7,896,168	$ 4,232,117	$ 6,224,182
2021-2022	$ 8,365,572	$ 4,472,777	$ 5,460,369
2020-2021	$ 6,279,056	$ 4,696,823	$ 5,146,196
2019-2020	$ 4,331,615	$ 2,546,227	$ 3,237,345
2018-2019	$ 3,174,260	$ 1,529,178	$ 2,188,058
2017-2018	$ 2,566,567	$ 993,675	$ 2,642,352
2016-2017	$ 4,800,536	$ 3,704,621	$ 3,893,782
2015-2016	$ 4,169,609	$ 2,798,218	$ 3,236,140
2014-2015	$ 3,667,917	$ 2,590,040	$ 2,932,311
2013-2014	$ 3,260,033	$ 2,206,332	$ 2,493,192
2012-2013	$ 3,339,629	$ 2,161,863	$ 2,668,725
2011-2012	$ 3,579,394	$ 2,577,435	$ 3,371,121

Gates County Fiscal Year Tracking

Public Utilities Enterprise	
Fiscal Year	**Net Position June 30**
2024-2025	3,012,086
2023-2024	3,283,284
2022-2023	2,830,443
2021-2022	2,744,953
2020-2021	2,575,067
2019-2020	2,385,249
2018-2019	2,687,658
2017-2018	2,578,713
2016-2017	2,002,600
2015-2016	2,305,710
2014-2015	2,208,596
2013-2014	2,192,263
2012-2013	2,193,659

School Capital Reserve	
Fiscal Year	**Fund Balance June 30**
2024-2025	2,254,017
2023-2024	2,233,622
2022-2023	1,455,548
2021-2022	1,908,653
2020-2021	1,778,510
2019-2020	1,546,891
2018-2019	870,499
2017-2018	833,445
2016-2017	271,553
2015-2016	
2014-2015	
2013-2014	
2012-2013	

Gates County Tax Rate History

FY 67-68	1.42		FY 99-00	0.92	
FY 68-69	1.39		FY 00-01	0.92	
FY 69-70	1.34	***Revaluation***	FY 01-02	0.81	***Revaluation***
FY 70-71	1.39		FY 02-03	0.81	
FY 71-72	1.35		FY 03-04	0.83	
FY 72-73	1.39		FY 04-05	0.85	
FY 73-74	1.59		FY 05-06	0.87	
FY 74-75	1.02		FY 06-07	0.91	
FY 75-76	1.02		FY 07-08	0.98	
FY 76-77	1.20		FY 08-09	0.98	
FY 77-78	1.08	***Revaluation***	FY 09-10	0.64	***Revaluation***
FY 78-79	1.10		FY 10-11	0.64	
FY 79-80	1.15		FY 11-12	0.64	
FY 80-81	1.26		FY 12-13	0.64	
FY 81-82	1.23		FY 13-14	0.64	
FY 82-83	1.30		FY 14-15	0.64	
FY 83-84	1.38		FY 15-16	0.64	
FY 84-85	1.43		FY 16-17	0.68	
FY 85-86	0.77	***Revaluation***	FY 17-18	0.76	***Revaluation***
FY 86-87	0.77		FY 18-19	0.76	
FY 87-88	0.75		FY 19-20	0.79	
FY 88-89	0.79		FY 20-21	0.79	
FY 89-90	0.84		FY 21-22	0.79	
FY 90-91	0.88		FY 22-23	0.84	
FY 91-92	0.92		FY 23-24	0.84	
FY 92-93	0.99		FY 24-25	0.84	
FY 93-94	0.84	***Revaluation***	FY 25-26	0.67	***Revaluation***
FY 94-95	0.87				
FY 95-96	0.88				
FY 96-97	0.88				
FY 97-98	0.90				
FY 98-99	0.90				

SWF $180.00 Effective 07.01.2006
SWF $125.00 Effective 07.01.2005
(moved from the tax bills to the water bill)

SWF $240 (County) Effective 07.01.2019
SWF $120 (In Town) Effective 07.01.2019
(moved from the water bill to the tax bill)

GATES COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Gates County ABC Board
ASSETS				
Cash and cash equivalents	$ 10,387,439	$ 3,222,545	$ 13,609,984	$ 299,184
Receivables, net of allowance for uncollectible	2,083,819	321,001	2,404,820	-
Taxes receivable, net of allowance for uncollectible	392,804	-	392,804	-
Due from other governments	306,296	37,080	343,376	-
Inventories	2,140	255,523	257,663	280,955
Lease receivable	819,056	-	819,056	-
Prepaid items	-	-	-	4,772
Restricted cash and cash equivalents	403,511	-	403,511	-
Net pension asset	9,311	-	9,311	-
Capital assets:				
Non-depreciable	1,738,007	1,032,231	2,770,238	-
Right-to-use lease assets, net of amortization	520,103	182,160	702,263	-
Depreciable, net of accumulated depreciation	6,375,991	8,109,249	14,485,240	465,324
Total assets	23,038,477	13,159,789	36,198,266	1,050,235
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	1,355,300	210,253	1,565,553	19,624
OPEB related items	1,190,733	423,429	1,614,162	-
Total deferred outflows of resources	2,546,033	633,682	3,179,715	19,624
LIABILITIES				
Accounts payable	700,305	195,852	896,157	57,278
Accrued liabilities	341,433	31,921	373,354	-
Unearned revenue	-	97,371	97,371	-
Interest payable	20,432	-	20,432	-
State revolving loan payable, due within one year	-	29,542	29,542	-
Lease liability, due within one year	122,628	39,917	162,545	-
Lease liability, due in more than one year	389,047	136,477	525,524	-
Bonds, due within one year	410,000	-	410,000	-
Bonds, due in more than one year	4,920,000	-	4,920,000	-
Compensated absences, due in one year	126,893	21,905	148,798	-
Compensated absences, due in more than one year	331,306	36,801	368,107	-
Total pension liability, due in one year	16,773	-	16,773	-
Total pension liability, due in more than one year	150,955	-	150,955	-
Net pension liability, due in more than one year	2,396,528	392,823	2,789,351	17,865
Total OPEB liability, due in one year	355,943	126,575	482,518	-
Total OPEB liability, due in more than one year	3,203,484	1,139,172	4,342,656	-
Total liabilities	13,485,727	2,248,356	15,734,083	75,143

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Gates County ABC Board
DEFERRED INFLOWS OF RESOURCES				
Deferred tax revenue	$ 30,308	$ -	$ 30,308	$ -
Lease receivable	818,335	-	818,335	-
OPEB related items	1,395,970	496,413	1,892,383	-
Pension related items	94,538	6,796	101,334	593
Total deferred inflows of resources	2,339,151	503,209	2,842,360	593
NET POSITION				
Net investment in capital assets	8,122,426	9,117,704	17,240,130	465,324
Restricted for:				
Stabilization by State Statute	1,678,303	-	1,678,303	-
Tax revaluation	93,983	-	93,983	-
Net pension asset	9,311	-	9,311	-
Register of deeds	23,402	-	23,402	-
Education	2,254,017	-	2,254,017	-
Economic development	466,377	-	466,377	-
Transportation	312,293	-	312,293	-
Human services	1,395	-	1,395	-
Public safety	530,630	-	530,630	-
Capital improvements and working capital	-	-	-	219,748
Unrestricted	(3,732,505)	1,924,202	(1,808,303)	309,051
Total net position	$ 9,759,632	$ 11,041,906	$ 20,801,538	$ 994,123

GATES COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
General government	$ 3,286,005	$ 66,181	$ 188,593	$ 500,000
Public safety	5,024,482	563,556	133,450	-
Human services	2,260,581	63,561	1,570,309	-
Education	8,982,782	-	56,023	5,460,372
Economic development	1,552,105	236,514	634,887	-
Culture and recreation	575,496	-	-	-
Interest on long-term debt	139,170	-	-	-
Total governmental activities	21,820,621	929,812	2,583,262	5,960,372
Business-type activities:				
Landfill	1,166,909	1,020,228	33,099	-
Water	2,708,766	1,515,737	1,027,330	-
Total business-type activities	3,875,675	2,535,965	1,060,429	-
Total primary government	25,696,296	3,465,777	3,643,691	5,960,372
Component Unit:				
Gates County ABC Board	1,280,260	1,334,316	-	-
Total component unit	$ 1,280,260	$ 1,334,316	$ -	$ -
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				
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
$ (2,531,231)	$ -	$ (2,531,231)	$ -
(4,327,476)	-	(4,327,476)	-
(626,711)	-	(626,711)	-
(3,466,387)	-	(3,466,387)	-
(680,704)	-	(680,704)	-
(575,496)	-	(575,496)	-
(139,170)	-	(139,170)	-
(12,347,175)	-	(12,347,175)	-
-	(113,582)	(113,582)	-
-	(165,699)	(165,699)	-
-	(279,281)	(279,281)	-
(12,347,175)	(279,281)	(12,626,456)	-
-	-	-	54,056
-	-	-	54,056
8,790,507	-	8,790,507	-
4,012,631	-	4,012,631	-
287,997	6,657	294,654	750
95,155	-	95,155	-
(354,917)	354,917	-	-
12,831,373	361,574	13,192,947	750
484,198	82,293	566,491	54,806
9,275,434	10,959,613	20,235,047	939,317
$ 9,759,632	$ 11,041,906	$ 20,801,538	$ 994,123

GATES COUNTY, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	School Capital Outlay Fund	COVID-19 Relief Fund	School Lottery Fund
ASSETS				
Cash and cash equivalents	$ 7,464,748	$ 2,254,017	$ -	$ -
Taxes receivable, net	392,804	-	-	-
Accounts receivable	1,365,028	-	-	-
Due from other governments	306,296	-	-	-
Lease receivable	819,056	-	-	-
Inventories	2,140	-	-	-
Restricted cash and cash equivalents	117,260	-	-	-
Total assets	10,467,332	2,254,017	-	-
LIABILITIES				
Accounts payable	403,714	-	-	-
Accrued payroll and withholdings	341,433	-	-	-
Total liabilities	745,147	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Ad valorem taxes	386,546	-	-	-
Leases	818,335	-	-	-
Opioid receivable	-	-	-	-
Prepaid taxes	30,308	-	-	-
Total deferred inflows of resources	1,235,189	-	-	-
FUND BALANCES				
Nonspendable:				
Inventories	2,140	-	-	-
Restricted:				
Stabilization by State Statute	1,678,303	-	-	-
Education	-	2,254,017	-	-
Public safety	-	-	-	-
Economic development	-	-	-	-
Transportation	312,293	-	-	-
Human services	-	-	-	-
Register of deeds	23,402	-	-	-
Tax revaluation	93,983	-	-	-
Committed:				
Retiree healthcare benefits	100,000	-	-	-
Assigned:				
2026 budget appropriation	317,463	-	-	-
Unassigned	5,959,412	-	-	-
Total fund balances	8,486,996	2,254,017	-	-
Total liabilities, deferred inflows of resources, and fund balances	$ 10,467,332	$ 2,254,017	$ -	$ -

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

Capital assets and right-to-use assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.

Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.

The net pension liability (assets), total pension liability, OPEB liability, and related deferred inflows and outflows of resources related to the County's defined benefit pension and OPEB plans are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Net position of governmental activities

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

Opioid Settlement	Needs-based Grant Gatesville Elementary	Needs-based Grant GCHS	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 5,976	$ 662,698	$ 10,387,439
-	-	-	-	392,804
709,307	-	-	9,484	2,083,819
-	-	-	-	306,296
-	-	-	-	819,056
-	-	-	-	2,140
286,251	-	-	-	403,511
995,558	-	5,976	672,182	14,395,065
12,555	5,110	263,362	15,564	700,305
-	-	-	-	341,433
12,555	5,110	263,362	15,564	1,041,738
-	-	-	-	386,546
-	-	-	-	818,335
641,219	-	-	-	641,219
-	-	-	-	30,308
641,219	-	-	-	1,876,408
-	-	-	-	2,140
-	-	-	-	1,678,303
-	-	-	-	2,254,017
341,784	-	-	188,846	530,630
-	-	-	466,377	466,377
-	-	-	-	312,293
-	-	-	1,395	1,395
-	-	-	-	23,402
-	-	-	-	93,983
-	-	-	-	100,000
-	-	-	-	317,463
-	(5,110)	(257,386)	-	5,696,916
341,784	(5,110)	(257,386)	656,618	11,476,919
$ 995,558	$ -	$ 5,976	$ 672,182	
				8,634,101
				1,027,765
				(5,058,847)
				(6,320,306)
				$ 9,759,632

GATES COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	School Capital Outlay Fund	COVID-19 Relief Fund	School Lottery Fund
REVENUES				
Property taxes	$ 8,763,064	$ -	$ -	$ -
Sales tax	4,012,631	-	-	-
Intergovernmental revenues	2,274,434	-	500,000	56,023
Charges for services	514,234	-	-	-
Investment earnings	282,190	3,799	307	-
License and permits	168,586	-	-	-
Miscellaneous	91,054	-	-	-
Total revenues	16,106,193	3,799	500,307	56,023
EXPENDITURES				
Current:				
General government	2,959,919	-	-	-
Public safety	5,221,217	-	-	-
Human services	2,214,789	-	-	-
Education	3,160,000	-	-	56,023
Economic development	1,480,948	-	-	-
Culture and recreation	487,678	-	-	-
Debt service:				
Principal retirements	815,080	-	-	-
Interest and fiscal charges	139,170	-	-	-
Total expenditures	16,478,801	-	-	56,023
Excess (deficiency) of revenues over (under) expenditures	(372,608)	3,799	500,307	-
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	36,057	-	-	-
Issuance of note payable	613,839	-	-	-
Transfers in	1,378,285	1,041,596	-	-
Transfers out	(1,232,768)	(1,025,000)	(517,030)	-
Total other financing sources (uses)	795,413	16,596	(517,030)	-
Net change in fund balances	422,805	20,395	(16,723)	-
Fund balances (deficit), beginning of year	8,064,191	2,233,622	16,723	-
Fund balances (deficit), end of year	$ 8,486,996	$ 2,254,017	$ -	$ -

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

Opioid Settlement	Needs-based Grant Gatesville Elementary	Needs-based Grant GCHS	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 8,763,064
-	-	-	-	4,012,631
-	441,906	5,035,821	167,042	8,475,226
-	-	-	246,992	761,226
509	-	-	1,192	287,997
-	-	-	-	168,586
85,763	-	-	4,101	180,918
86,272	441,906	5,035,821	419,327	22,649,648
-	-	-	-	2,959,919
13,455	-	-	399,432	5,634,104
-	-	-	29,913	2,244,702
-	398,562	5,368,197	-	8,982,782
-	-	-	131,143	1,612,091
-	-	-	-	487,678
-	-	-	-	815,080
-	-	-	-	139,170
13,455	398,562	5,368,197	560,488	22,875,526
72,817	43,344	(332,376)	(141,161)	(225,878)
-	-	-	-	36,057
-	-	-	-	613,839
-	-	-	-	2,419,881
-	-	-	-	(2,774,798)
-	-	-	-	294,979
72,817	43,344	(332,376)	(141,161)	69,101
268,967	(48,454)	74,990	797,779	11,407,818
$ 341,784	$ (5,110)	$ (257,386)	$ 656,618	$ 11,476,919

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, 2025

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

Net change in fund balances - total governmental funds	$	69,101
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/amortization in the current period.		773,999
The governmental funds report proceeds from the sale/disposal of capital assets. However, in the statement of activities, the gain or loss on the sale/disposal is reported. 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 the disposals.		(508,362)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		10,088
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 represents the current year repayment of outstanding installment notes and bonds.		201,241
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.		(61,869)
Change in net position - governmental activities	$	484,198

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, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues				
Property taxes	$ 8,834,282	$ 8,847,082	$ 8,763,064	$ (84,018)
Sales tax	3,739,313	3,755,909	4,012,631	256,722
Intergovernmental revenue	1,575,511	1,917,773	1,777,303	(140,470)
Charges for services	229,304	229,304	291,745	62,441
Investment earnings	500,000	500,000	281,959	(218,041)
License and permits	150,030	154,524	164,783	10,259
Miscellaneous	93,150	124,008	90,488	(33,520)
Total revenues	15,121,590	15,528,600	15,381,973	(146,627)
Expenditures				
Current:				
General government	3,149,012	3,243,620	2,959,919	283,701
Public safety	4,767,619	5,064,149	5,028,538	35,611
Human services	2,536,424	2,558,806	2,214,789	344,017
Education	3,160,000	3,160,000	3,160,000	-
Economic development	821,934	826,106	768,724	57,382
Culture and recreation	507,315	539,874	487,678	52,196
Debt service:				
Principal retirements	792,916	814,346	815,080	(734)
Interest	142,215	142,215	139,170	3,045
Total expenditures	15,877,435	16,349,116	15,573,898	775,218
Excess (deficiency) of revenues over (under) expenditures	(755,845)	(820,516)	(191,925)	628,591
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	23,622	23,622
Issuance of lease liability	-	-	613,839	613,839
Transfers in	1,325,000	1,342,030	1,342,030	-
Transfers out	(1,061,255)	(1,232,768)	(1,232,768)	-
Appropriation (reserve) of fund balance	492,100	711,254	-	(711,254)
Total other financing sources	755,845	820,516	746,723	(73,793)
Net change in fund balances	$ -	$ -	554,798	$ 554,798
Fund balances, beginning of year			7,502,520	
Fund balances, end of year			8,057,318	
Reconciliation to the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance:				
Revaluation Fund			93,983	
Transit Fund			312,293	
Register of Deeds Automation Fund			23,402	
			$ 8,486,996	

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	Landfill Fund	Water Fund	Totals
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 329,509	2,893,036	$ 3,222,545
Accounts receivable, net of allowances	81,262	239,739	321,001
Due from other governments	-	37,080	37,080
Inventory	-	255,523	255,523
Total current assets	410,771	3,425,378	3,836,149
CAPITAL ASSETS			
Nondepreciable	-	1,032,231	1,032,231
Right-to-use asset, net of amortization	-	182,160	182,160
Depreciable, net of accumulated depreciation	-	8,109,249	8,109,249
Total noncurrent assets	-	9,323,640	9,323,640
Total assets	410,771	12,749,018	13,159,789
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	-	210,253	210,253
OPEB related items	-	423,429	423,429
Total deferred outflows of resources	-	633,682	633,682
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	128,587	67,265	195,852
Customer prepayments	1,204	96,167	97,371
Payroll withholdings	-	31,921	31,921
Note payable	-	29,542	29,542
Lease liability	-	39,917	39,917
Compensated absences payable	-	21,905	21,905
Total OPEB liability	-	126,575	126,575
Total current liabilities	129,791	413,292	543,083
NONCURRENT LIABILITIES			
Compensated absences payable	-	36,801	36,801
Net pension liability	-	392,823	392,823
Lease liability	-	136,477	136,477
Total OPEB liability	-	1,139,172	1,139,172
Total noncurrent liabilities	-	1,705,273	1,705,273
Total liabilities	129,791	2,118,565	2,248,356
DEFERRED INFLOWS OF RESOURCES			
Pension related items	-	6,796	6,796
OPEB related items	-	496,413	496,413
Total deferred inflows of resources	-	503,209	503,209
NET POSITION			
Investment in capital assets	-	9,117,704	9,117,704
Unrestricted	280,980	1,643,222	1,924,202
Total net position	$ 280,980	$ 10,760,926	$ 11,041,906

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, 2025

	Landfill Fund	Water Fund	Totals
OPERATING REVENUES			
Charges for services	$ 1,009,742	1,437,486	$ 2,447,228
Other operating revenues	10,486	78,251	88,737
Total operating revenues	1,020,228	1,515,737	2,535,965
OPERATING EXPENSES			
Landfill operations	1,166,909	-	1,166,909
Water operations	-	2,273,230	2,273,230
Sewer operations	-	69,820	69,820
Depreciation and amortization	-	360,477	360,477
Total operating expenses	1,166,909	2,703,527	3,870,436
Operating loss	(146,681)	(1,187,790)	(1,334,471)
NON-OPERATING REVENUES			
Investment earnings	910	5,747	6,657
Intergovernmental grants and contributions	33,099	1,027,330	1,060,429
Interest expense	-	(5,239)	(5,239)
Total non-operating revenue	34,009	1,027,838	1,061,847
Loss before transfers	(112,672)	(159,952)	(272,624)
Transfer from other funds	-	354,917	354,917
Change in net position	(112,672)	194,965	82,293
Net position, beginning of year	393,652	10,565,961	10,959,613
Net position, end of year	$ 280,980	$ 10,760,926	$ 11,041,906

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, 2025

	Landfill Fund	Water Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 1,008,902	$ 1,682,720	$ 2,691,622
Payments to suppliers	(1,174,131)	(1,989,769)	(3,163,900)
Payments to employees	-	(267,972)	(267,972)
Net cash used in operating activities	(165,229)	(575,021)	(740,250)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Non-capital grants and contributions	33,099	-	33,099
Net cash provided by non-capital financing activities	33,099	-	33,099
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers from other funds for capital related purchases	-	354,917	354,917
Capital grant receipts	-	963,975	963,975
Proceeds from issuance of debt	-	72,182	72,182
Proceeds from the sale of capital assets	-	17,315	17,315
Principal payments on long-term borrowings	-	(76,552)	(76,552)
Interest paid	-	(5,239)	(5,239)
Purchases and acquisition of capital assets	-	(896,249)	(896,249)
Net cash provided by capital and related financing activities	-	430,349	430,349
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	910	5,747	6,657
Net cash provided by investing activities	910	5,747	6,657
Net decrease in cash and cash equivalents	(131,220)	(138,925)	(270,145)
Cash and cash equivalents, beginning of year	460,729	3,031,961	3,492,690
Cash and cash equivalents, end of year	$ 329,509	$ 2,893,036	$ 3,222,545
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES			
Operating loss	$ (146,681)	$ (1,187,790)	$ (1,334,471)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation and amortization expense	-	360,477	360,477
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
(Increase) decrease in accounts receivable	(11,652)	91,308	79,656
(Increase) decrease in due from other governments	-	65,436	65,436
(Increase) decrease in inventory	-	(200,706)	(200,706)
Decrease in accounts payable	(7,222)	(9,411)	(16,633)
Increase (decrease) in accrued payroll and withholdings	-	7,971	7,971
Increase in unearned revenue	326	10,239	10,565
Increase (decrease) in compensated absences payable	-	45,004	45,004
Increase (decrease) in net pension liability and related items	-	30,710	30,710
Increase (decrease) in total OPEB liability and related items	-	211,741	211,741
Net cash used in operating activities	$ (165,229)	$ (575,021)	$ (740,250)

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2025

	Custodial Funds
ASSETS	
Cash and cash equivalents	$ 3,803
Total assets	3,803
LIABILITIES	
Accounts payable	3,803
Total liabilities	$ 3,803

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

GATES COUNTY, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Custodial Funds
ADDITIONS	
Tax collections for Town of Gatesville	$ 121,913
EMS insurance reimbursements	148,999
Total additions	270,912
DEDUCTIONS	
Remittances to Town of Gatesville	121,913
Remittances to Gates County Rescue Squad	148,999
Total deductions	270,912
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.

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

Discretely Presented Component Unit

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Property Revaluation Fund is a legally budgeted fund under North Carolina General Statutes, which for reporting purposes is presented in the General Fund.

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The **School Lottery Fund** accounts for school renovation from lottery grant proceeds.

The **Opioid Settlement Fund** accounts for the County's share of a nation-wide billion-dollar settlement related to multiple opioid lawsuits. The proceeds are to be used for abatement and remediation activities.

The **Needs-based Grant - Gatesville Elementary Fund** accounts for school renovations and roof replacement from needs-based lottery grant proceeds.

The **Needs-based Grant - GCHS Fund** accounts for school renovations, roof replacement and construction of new classrooms from needs-based lottery grant proceeds.

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. The County has several capital project funds that are combined with the Water Fund for the use of tracking grant-funded projects.

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

D. Budgets

The County's budgets are adopted as required by the North Carolina General Statutes (NCGS or G.S.). An annual budget ordinance is adopted for the General Fund, special revenue funds (excluding certain multi-year project funds), and all enterprise operating funds. Project ordinances are adopted for certain multi-year special revenue funds, capital project funds and capital project funds within the Water Fund. The enterprise capital project funds are consolidated with the operating fund for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for all project ordinances. Amendments are required for any revisions that alter total expenditures of any fund or that change appropriations by more than $5,000. The Board must approve all amendments. During the year, the original budget ordinances were amended through supplemental appropriations. These changes are reflected in the supplemental budgetary comparison statements and schedules.

The budget ordinance must be adopted by July 1 of each fiscal year, or the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted. All annually adopted budgetary appropriations lapse at the end of the fiscal year.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT).

The North Carolina Capital Management Trust (NCCMT), which consists of a SEC-registered mutual fund (the Government Portfolio), is authorized by G.S. 159-30(c)(8). The Government Portfolio, which invests in treasuries and government agencies, is a money market mutual fund (2a7) and maintains an AAAm rating from S&P and AAAmf by Moody's Investor Service. The Government Portfolio is reported at fair value.

F. Restricted Cash and Cash Equivalents

The County has restricted cash and cash equivalents related to the General Fund – Tax Revaluation Fund and the General Fund – Register of Deeds Automation Fund as their use is restricted per the North Carolina General Statue 153A-150. The Opioid Settlement Fund cash balance is classified as restricted because their use is restricted to the purpose for which the opioid settlement funds were awarded.

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, 2025.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.”

J. Leases

Lessee

The County is a lessee for multiple noncancellable leases of equipment and vehicles. The County recognizes a lease liability and an intangible right-to-use leased asset in the government-wide financial statements. Leases are defined by the County as agreements for which the present value of payments expected to be made during the term exceed $50,000. The County recognizes lease liabilities and lease right to use assets in accordance with its capitalization policy
(Note 1-L).

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Key estimates and judgements include how the County determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, (3) lease receipts.

- The County uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the County is reasonable certain to exercise.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Leases (Continued)

Lessee (Continued)

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor

The County is the lessor for certain noncancellable lease of real property within an existing County building. The County recognizes a lease receivable and a deferred inflow of resources for deferred lease revenue in accordance with these transactions. At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments made at or before the lease commencement date, less certain other amounts to be paid by the County (if any). Subsequently, the deferred inflow of resources is amortized into lease revenue on a straight-line basis over the lease term.

In the Statement of Net Position, lease assets are reported with other capital assets and lease liabilities are reported with other long-term liabilities as amounts due within one year and amounts due in more than one year.

Key estimates and judgments related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- The lease agreements entered into by the County as lessor do not include stated interest rates. Therefore, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease receivable are composed of fixed payments that the County will receive over the term of the lease agreement.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Inventories

All inventories are valued at average cost using the first-in/first-out 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.

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.

The County's capital assets also include certain intangible right-to-use assets. These right-to-use assets arise in association with agreements where the County reports a lease (where the County serves as lessee). Right-to-use lease assets of the County are depreciated on a straight-line basis over the agreement term of the lease.

Capital assets and right-to-use assets of the County are depreciated using the straight-line method over the following estimated useful lives:

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

M. Deferred Outflows/Inflows of Resources

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has several items that meet the criterion for this category: property taxes receivable, prepaid taxes, deferred opioid revenue, deferred lease revenue, and pension and OPEB-related deferrals.

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.

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. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements and the proprietary fund type financial statements.

The County’s sick leave policy provides for an unlimited accumulated of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Any used sick leave accumulated for employees that leave the County before retirement is forfeited. The County determined based on a four-year look-back period that the Town does not have sick leave that is more likely than not to be paid out through a cash settlement at year end. As such, no compensated absence liability is recorded related to sick leave.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Equity (Continued)

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

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

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

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

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 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 $5.7 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

S. Opioid Settlement Funds

In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a $26 billion nationwide settlement related to multiple opioid lawsuits. These funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The majority of these funds are intended for opioid abatement and the distribution of the funds will be front loaded.

North Carolina's Memorandum of Agreement (MOA) between the state and local governments for the settlement funds allocates the funds as follows:

- 15% directly to the State ("State Abatement Fund")
- 80% to abatement funds established by Local Governments ("Local Abatement Funds")
- 5% to a County Incentive Fund

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Opioid Settlement Funds (Continued)

The County received $85,763 as part of this settlement in Fiscal Year 2025. Per the terms of the MOA, the County created a special revenue fund, the Opioid Settlement Fund, to account for these funds. All funds are to be used for opioid abatement and remediation activities. The MOA offered the County two options of expending the funds. An additional $641,219 is recorded as a deferred inflow in the Opioid Settlement Fund. This amount represents opioid settlement funds that are measurable but not available. No allowance for uncollectible has been booked against the receivable as the County anticipates receiving all of these funds and have collected for the last two years. The County will continue to monitor each settlement party for any collection issues.

T. Deficit Fund Equity

At June 30, 2025, the Needs-based Grant-Gatesville Elementary Fund, the Needs-based Grant-GCHS, and the Needs-based Grant-Buckland Project had deficit fund balances of $5,110, $257,386, and $4,410, respectively. The deficits are related to grants for which there were expenditures, but no recorded revenue since the County had to record retainage for the related projects. This will be resolved once the grant project is complete and the County can receive reimbursement for the retainage after it is paid out.

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 ($6,320,306) difference are as follows:

Bonds payable	$ (5,330,000)
Lease liability	(511,675)
Accrued interest payable	(20,432)
Compensated absences (i.e., vacation)	(458,199)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ (6,320,306)

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 (Continued)

Another element of that reconciliation explains that "the net pension liability (asset), total pension liability and related deferred inflows and outflows of resources related to the County's defined benefit pension plans are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds." The details of this ($5,058,847) difference are as follows:

Total pension liability - Law Enforcement Officers' Special Separation Allowance	$	(167,728)
Net pension liability - Local Governmental Employees' Retirement System		(2,396,528)
Net pension asset - Register of Deeds' Special Pension Fund		9,311
Total OPEB liability		(3,559,427)
OPEB related deferred outflows of resources		1,190,733
OPEB related deferred inflows of resources		(1,395,970)
Deferred outflows of resources - pension related items		1,355,300
Deferred inflows of resources - pension related items		(94,538)
Net adjustment to decrease *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(5,058,847)

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 $773,999 difference are as follows:

Capital outlay	$	1,472,699
Depreciation and amortization expense		(698,700)
Net adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net position - governmental activities*	$	773,999

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

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

Another element of the reconciliation states that "the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this $201,241 difference are as follows:

Issuance of lease liability	$	(613,839)
Principal payments on installment notes		302,916
Principal payments on bonds		410,000
Principal payments on lease liabilties		102,164
Net adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net position - governmental activities*	$	201,241

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 ($61,869) difference are as follows:

Compensated absences (i.e., vacation)	$	(60,596)
Change in accrued interest		2,768
Net pension liability and related deferred outflows and inflows - LGERS		(197,387)
Total pension liability and related deferred outflows and inflows - LEOSSA		(11,078)
Net pension asset and related deferred outflows and inflows- RODSPF		(667)
Total OPEB liability and related deferred outflows and inflows		205,091
Net adjustment to decrease *net change in fund balances - total governmental funds* to arrive at *change in net position - governmental activities*	$	(61,869)

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2025, are summarized as follows:

Statement of Net Position:		
Cash and cash equivalents	$	13,609,984
Restricted cash and cash equivalents		403,511
Fiduciary - custodial funds		3,803
	$	14,017,298
Cash deposited with financial institutions	$	6,978,946
Cash deposited with NCCMT		7,037,302
Petty cash		1,050
	$	14,017,298

All of the County's deposits are either insured or collateralized using the Pooling Method. Under the Pooling Method, a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the pooling method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under pooling method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each pooling depository. The County has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At year-end, the County's deposits had a carrying amount of $6,978,946 and a bank balance of $8,807,710. Of the bank balance, $250,000 was covered by federal depository insurance and $8,557,710 in interest-bearing deposits was covered by collateral held under the pooling method.

The County's petty cash account at June 30, 2025, totaled $1,050.

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2025, the County had $7,037,302 in the NCCMT Government Portfolio, an SEC registered (2a-7) money market mutual fund. The NCCMT Government Portfolio invests in treasuries and government agencies and is rated AAAm by S&P and AAAmf by Moody Investor Services. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented by the County as cash equivalents in the financial statements.

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

Interest Rate Risk. The County does not have a formal investment interest rate policy that manages its exposure to fair value losses arising from increasing interest rates.

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, 2025, the County's deposits are insured or collateralized as required by GASB and state statutes.

NOTE 4. RECEIVABLES

Receivables at June 30, 2025, for the County's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Opioid Settlement	Landfill	Water	Non-major Governmental
Receivables:					
Taxes	$ 675,008	$ -	$ 82,155	$ -	$ -
Accounts	1,365,028	709,307	194,366	480,900	9,484
Due from other governments	306,296	-	-	37,080	-
Less allowance for uncollectible	(282,204)	-	(195,259)	(241,161)	-
Net total receivables	$ 2,064,128	$ 709,307	$ 81,262	$ 276,819	$ 9,484

NOTE 5. LEASE RECEIVABLES

During the fiscal year, the County leased a building to the United States Department of Agriculture. The County receives annual payments of $94,301 as specified in the contract. As the lease does not contain a specific interest rate, the County used an incremental borrowing rate of 2.4% at the time of the measurement of the lease. For the current year, the County recognized $20,262 in lease revenue and $3,313 in interest revenue related to the lease. As of June 30, 2025, the County's receivable for lease payments was $819,056 and the related balance of the deferred inflow of resources was $818,335.

The lease receivable to maturity on the County's lease agreement is as follows:

	Principal	Interest	Total
Year Ending June 30,			
2026	$ 75,470	$ 18,831	$ 94,301
2027	77,301	16,999	94,300
2028	79,177	15,124	94,301
2029	81,099	13,202	94,301
2030	83,067	11,234	94,301
2031-2035	422,942	24,988	447,930
Total	$ 819,056	$ 100,378	$ 919,434

NOTE 6. CAPITAL ASSETS

Capital asset activity for the County for the year ended June 30, 2025, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Nondepreciable capital assets:				
Land and easements	$ 1,738,007	$ -	$ -	$ 1,738,007
Construction in progress	42,000	-	(42,000)	-
Total	1,780,007	-	(42,000)	1,738,007
Capital assets, being depreciated/amortized:				
Buildings	6,013,158	5,689	-	6,018,847
Other improvements	2,142,190	145,332	-	2,287,522
Equipment	2,451,044	519,444	(572,342)	2,398,146
Vehicles	1,704,282	148,903	(135,997)	1,717,188
Right-to-use lease assets	-	653,331	-	653,331
Total being depreciated	12,310,674	1,472,699	(708,339)	13,075,034
Less accumulated depreciation/amortization for:				
Buildings	(2,798,362)	(115,657)	-	(2,914,019)
Other improvements	(835,509)	(54,497)	-	(890,006)
Equipment	(823,713)	(217,393)	105,980	(935,126)
Vehicles	(1,264,633)	(177,925)	135,997	(1,306,561)
Right-to-use lease assets	-	(133,228)	-	(133,228)
Total accumulated depreciation/amortization	(5,722,217)	(698,700)	241,977	(6,178,940)
Total capital assets, being depreciated/amortized, net	6,588,457	773,999	(466,362)	6,896,094
Governmental activities capital assets, net	$ 8,368,464	$ 773,999	$ (508,362)	$ 8,634,101

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

Governmental activities:	
General government	$ 84,047
Public safety	366,098
Human services	112,387
Economic development	48,350
Culture and recreation	87,818
Total depreciation/amortization expense - governmental activities	$ 698,700
Business-type activities	
Water fund	$ 360,477
Total depreciation/amortization expense- business-type activities	$ 360,477

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Water Fund:				
Nondepreciable capital assets:				
Land	$ 432,336	$ -	$ -	$ 432,336
Construction in progress	-	599,895	-	599,895
Total	432,336	599,895	-	1,032,231
Capital assets, being depreciated/amortized:				
Plant and distribution system	15,267,576	254,905	(65,968)	15,456,513
Furniture and equipment	322,575	41,449	-	364,024
Vehicles	182,449	-	(25,947)	156,502
Right-to-use lease assets	-	219,545	-	219,545
Total depreciable assets	15,772,600	515,899	(91,915)	16,196,584
Less accumulated depreciation/amortization for:				
Plant and distribution system	(7,197,386)	(310,636)	65,968	(7,442,054)
Furniture and equipment	(257,291)	(11,943)	-	(269,234)
Vehicles	(181,936)	(513)	25,947	(156,502)
Right-to-use lease assets	-	(37,385)	-	(37,385)
Total accumulated depreciation/amortization	(7,636,613)	(360,477)	91,915	(7,905,175)
Total capital assets being depreciated/amortized, net	8,135,987	155,422	-	8,291,409
Water Fund capital assets, net	$ 8,568,323	$ 755,317	$ -	$ 9,323,640

Construction Commitments

At June 30, 2025, the Water fund's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
TS Cooper WW Improvement	$ 136,950	$ 483,321
SL 2023-134	271,432	739,300
SRF-W-0011 WWTP Project	173,877	442,297
Buckland WW Improvement	17,636	217,607
Total	**$ 599,895**	**$ 1,882,525**

NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2025, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Installment notes payable	$ 302,916	$ -	$ 302,916	$ -	$ -
Bonds payable	5,740,000	-	410,000	5,330,000	410,000
Lease liability	-	613,839	102,164	511,675	122,628
Net pension liability - LGERS	2,352,621	517,456	473,549	2,396,528	-
Total pension liability - LEOSSA	103,820	76,383	12,475	167,728	16,773
Compensated absences	397,603	60,596	-	458,199	126,893
Total OPEB liability	3,786,629	1,395,970	1,623,172	3,559,427	355,943
Governmental activity Long-term liabilities	$ 12,683,589	$ 2,664,244	$ 2,924,276	$ 12,423,557	$ 1,032,237
Business-type activities:					
State revolving loan payable	$ -	$ 111,050	$ 81,508	$ 29,542	$ 29,542
Lease liability	-	210,306	33,912	176,394	39,917
Net pension liability - LGERS	389,734	84,818	81,729	392,823	-
Compensated absences	50,503	8,203	-	58,706	21,905
Total OPEB liability	1,075,003	496,413	305,669	1,265,747	126,575
Business-type activity Long-term liabilities	$ 1,515,240	$ 910,790	$ 502,818	$ 1,923,212	$ 217,939

In accordance with GASB 101, *Compensated Absences*, the County has chosen to present a net change in its liability for compensated absences.

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

As of June 30, 2025, the County had total bonded debt outstanding of $5,330,000.

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:

	Balance as of June 30, 2025
Governmental activities:	
$8,200,000 bonds payable due in annual installments of $410,000 plus interest of 2.30%. 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.	$ 5,330,000

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revenue Bonds – Direct Placements (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2026	$ 410,000	$ 122,590	$ 532,590
2027	410,000	113,160	523,160
2028	410,000	103,730	513,730
2029	410,000	94,300	504,300
2030	410,000	84,870	494,870
2031-2035	2,050,000	282,900	2,332,900
2036-2038	1,230,000	56,580	1,286,580
Total	$ 5,330,000	$ 858,130	$ 6,188,130

State Revolving Loan

	Balance as of June 30, 2025
Business-type activities:	
The County entered into a State Revolving loan to borrow up to $328,000 from NCDEQ to perform a Lead Assessment Inventory. The loan is non interest bearing and will be payable annually until the project is completed or May 1, 2029, (whichever is earlier). The loan was partially forgiven during the fiscal year in the amount of $38,868. The payments are due May 1 beginning in 2025. As of June 30, 2025, the County had made draws totaling $111,050.	$ 29,542

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

Year Ending June 30,	Principal	Interest	Total
2026	$ 29,542	$ -	$ 29,542
Total	$ 29,542	$ -	$ 29,542

NOTE 7. LONG-TERM DEBT (CONTINUED)

Lease Liability

The County has entered into various lease agreements. These lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future lease payments as of the date of their inception.

The future lease obligations and the net present value of these payments as of June 30, 2025, were as follows:

Governmental Activities:	**Principal**	**Interest**	**Total**
Year Ending June 30,			
2026	$ 122,628	$ 12,342	$ 134,970
2027	125,988	8,982	134,970
2028	129,442	5,528	134,970
2029	110,581	2,078	112,659
2030	23,036	121	23,157
Total	$ 511,675	$ 29,051	$ 540,726

Business Activities:	**Principal**	**Interest**	**Total**
Year Ending June 30,			
2026	$ 39,917	$ 5,029	$ 44,946
2027	41,205	3,741	44,946
2028	42,534	2,412	44,946
2029	43,905	1,041	44,946
2030	8,833	44	8,877
Total	$ 176,394	$ 12,267	$ 188,661

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NOTE 8. INTERFUND BALANCES AND TRANSFERS

The composition of interfund transfers for the year ended June 30, 2025, is as follows:

Transfer in	Transfer out	Amount
General Fund	School Capital Outlay Fund	$ 1,025,000
School Capital Outlay Fund	General Fund	1,041,596
Revaluation Fund (within General Fund)	General Fund	36,255
General Fund	COVID-19 Relief Fund	317,030
Water Fund	General Fund	154,917
Water Fund	COVID-19 Relief Fund	200,000
		$ 2,774,798

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

The School Capital Outlay Fund reimbursed the General Fund for construction previously funded with eligible sales tax dollars. The General Fund transferred funds to the School Capital Reserve Fund related to the funding of a capital project. The General Fund transferred funds to the Revaluation Fund to accumulate resources for the revaluation of real property.

A portion of the revenue replacement funds has been transferred to the General Fund and the Water Fund from the COVID-19 Relief Fund.

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 (LEOSSA), 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	$ -	$ -	$ 9,311	$ 9,311
Net pension liability	2,789,351	-	-	2,789,351
Total pension liability	-	167,728	-	167,728
Deferred outflows of resources related to pensions	1,492,959	68,124	4,470	1,565,553
Deferred inflows of resources related to pensions	48,258	52,063	1,013	101,334
Pension expense	830,554	19,203	1,338	851,095

A. Local Governmental Employees' Retirement System

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

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, 2025, was 15.10% of compensation for law enforcement officers and 13.60% 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 $602,274 for the year ended June 30, 2025.

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, 2025, the County reported a liability of $2,789,351 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024, 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, 2025, the County's proportion was 0.04138%, which was a decrease of 0.0003% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the County recognized pension expense of $830,554. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 488,800	$ 3,286
Net difference between projected and actual earnings on pension plan investments	379,211	-
Changes in proportion and differences between County contributions and proportionate share of contributions	22,674	44,972
County contributions subsequent to the measurement date	602,274	-
Total	$ 1,492,959	$ 48,258

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

County contributions made subsequent to the measurement date of $602,274 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,		
2026	$	260,955
2027		531,527
2028		92,821
2029		(42,876)
Total	$	842,427

Actuarial Assumptions. The total pension liability as of June 30, 2024, was determined by the December 31, 2023 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25 to 8.25%, including inflation and productivity factor
Investment rate of return	6.50%, 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, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015, through December 31, 2019.

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

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Actuarial Assumptions (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 weighing 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, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2024 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 2.38%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
County's proportionate share of the net pension liability (asset)	$ 4,942,812	$ 2,789,351	$ 1,017,833

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

B. Law Enforcement Officers Special Separation Allowance

Plan Description. The County administers a public employee retirement system (the "Separation Allowance"), a single employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is administered by the State of North Carolina. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report is not issued for the Plan.

All full-time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2023, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	15
Total	16

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, 2023 valuation. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.28 percent

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 4.00% to 4.28% 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, 2023 valuation were based on the results of an actuarial experience study completed by the actuary for the Local Governmental Employees' Retirement System (LGERS) for the five-year period ending December 31, 2019.

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid $6,501 as benefits came due for the reporting period.

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

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

At June 30, 2025, the County reported a total pension liability of $167,728. The total pension liability was measured as of December 31, 2024, based on a December 31, 2023 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the County recognized pension expense in the amount of $19,203. At June 30, 2024, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 52,420	$ 34,182
Differences between expected and actual experience	10,649	17,881
County benefit payments made subsequent to the measurement date	5,055	-
Total	$ 68,124	$ 52,063

An amount of $5,055, 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized as an element of (or reduction to) pension expense as follows:

Year Ending June 30:	
2026	$ 1,516
2027	(4,185)
2028	(539)
2029	3,894
2030	7,818
Thereafter	2,502
Total	$ 11,006

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 (Continued)

Changes in the Total Pension Liability. The changes in the total pension liability of the County for the fiscal year ended June 30, 2025, were as follows:

	Total Pension Liability
Balance at June 30, 2024	$ 103,820
Service cost	16,976
Interest	4,023
Difference between expected and actual experience	55,384
Change of assumptions or other inputs	(5,974)
Benefit payments	(6,501)
Balance at June 30, 2025	$ 167,728

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 4.28%, 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 (3.28%) or 1-percentage-point higher (5.28%) than the current rate:

	1% Decrease (3.28%)	Discount Rate (4.28%)	1% Increase (5.28%)
Total pension liability	$ 190,016	$ 167,728	$ 147,980

NOTE 9. PENSION PLANS (CONTINUED)

C. Register of Deeds' Supplemental Pension Fund

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

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were $670 for the year ended June 30, 2025.

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, 2025, the County reported an asset of $9,311 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024, 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, 2024, the County's proportion was 0.08080%, which was an increase of 0.00694% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the County recognized pension expense of $1,338. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 204	$ 166
Net difference between projected and actual earnings on pension plan investments	3,596	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	847
County contributions subsequent to the measurement date	670	-
Total	$ 4,470	$ 1,013

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 (Continued)

County contributions made subsequent to the measurement date of $670 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an element of (or reduction to) pension expense as follows:

Year Ending June 30:		
2026	$	1,305
2027		1,142
2028		326
2029		14
Total	$	2,787

Actuarial Assumptions. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25 to 8.25%, including inflation and productivity factor
Investment rate of return	3.00%, 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, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015, through December 31, 2019.

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

NOTE 9. PENSION PLANS (CONTINUED)

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

Actuarial Assumptions (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. These projections are combined to produce the long-term expected rate of return by weighing 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 Bond Index External Investment Pool.

The information above is based on 30-year expectations developed with the consulting actuary for the 2023 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 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024, is 2.76%.

Discount Rate. The discount rate used to measure the total pension liability was 3.00%. 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 3.00%, 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 (2.00%) or one percentage point higher (4.00%) than the current rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
County's proportionate share of the net pension liability (asset)	$ (6,169)	$ (9,311)	$ (11,957)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued ACFR for the state of North Carolina.

NOTE 9. PENSION PLANS (CONTINUED)

D. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (the "Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the ACFR for the state of North Carolina. The State's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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, 2025, were $47,493, which consisted of $32,963 from the County and $14,523 from the law enforcement officers.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

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

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

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Membership. Membership of the PHCB Plan consisted of the following at June 30, 2023, the date of the latest actuarial valuation:

Active participants	72
Retirees and beneficiaries currently receiving benefits	19
Total	91

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, 2025, the County contributed $136,265 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, 2024, as determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions. The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate:	3.93%
Healthcare cost trend rate:	7.00% to 4.50%, Ultimate Trend in 2033 (Pre-Medicare) 5.125% to 4.50%, Ultimate Trend in 2026 (Medicare)
Inflation rate:	2.50%
Real wage growth:	0.75%
Wage inflation:	3.25%
Salary increases:	3.25% to 7.90% (Law Enforcement Officers), including wage inflation 3.25% to 8.41% (General Employees and Firefighters), including wage inflation
Participation rate:	100% member participation 0% electing spousal coverage

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015, through December 31, 2019, adopted by the LGERS Board.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount Rate. The discount rate used to measure the total OPEB liability was 3.93%, the rate was increased from the discount rate of 3.65% 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 3.93% as determined by the Bond Buyer General Obligation 20-year Municipal Bond Index as of June 30, 2023.

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, 2025, were as follows:

	Total OPEB Liability
Balances at June 30, 2024	$ 4,861,632
Changes for the year:	
Service cost	169,699
Interest	181,179
Differences between expected and actual experience	(11,970)
Assumption changes	(239,101)
Benefit payments	(136,265)
Net changes	(36,458)
Balances at June 30, 2025	$ 4,825,174

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 (2.93%) or 1-percentage-point higher (4.93%) than the current discount rate:

	1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
Total OPEB liability	$ 5,763,651	$ 4,825,174	$ 4,094,159

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	$ 4,002,460	$ 4,825,174	$ 5,907,011

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates (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, 2025, 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, 2025, the County recognized OPEB expense of $153,134. At June 30, 2025, 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	$ 901,448	$ 836,301
Changes of assumptions	598,686	1,056,082
Benefits paid subsequent to measurement period	114,028	-
Total	$ 1,614,162	$ 1,892,383

Benefits paid by the County subsequent to the measurement date of $114,028 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	
2026	$ (160,507)
2027	(96,819)
2028	1,668
2029	(116,719)
2030	(17,422)
Thereafter	(2,450)
Total	$ (392,249)

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 $33,565,390 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 provides employee health benefits through a fully insured plan provided by BlueCross BlueShield of North Carolina (BCBSNC). Claims are administered and paid directly from the plan by BCBSNC.

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 $1,000,000 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 Attorney has confirmed there are no pending or threatened claims of a material nature against the County in accordance with generally accepted accounting principles. To protect Gates County, the Board of Commissioners participates in the North Carolina Association of County Commissioners Risk Management Pools. Gates County has been a member of the NCACC's Liability & Property County Risk Group since 1994.

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

NOTE 13. JOINT VENTURES

The County participates in a joint venture to operate Perquimans-Chowan-Gates Regional Landfill (the "Landfill") with two other counties. Each participating government appoints their County manager and one Commissioner to the nine-member Board of the Landfill. Although the Landfill is no longer accepting solid waste, the site will continue to be used as a waste transfer station. None of the participating governments have any equity interest in the Landfill, so none was reflected in the County's financial statements at June 30, 2025. 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 $1,080,900 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, 2025. 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.

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, 2025. In accordance with the intergovernmental agreement between the participating governments, the County appropriated $114,600 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, 2025. In accordance with the intergovernmental agreement between the participating governments, the County appropriated $134,916 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 $7,295 to the Commission during the fiscal year ended June 30, 2025. 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 though satellite offices. The County contributed $31,461 to this organization during the fiscal year ended June 30, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

GATES COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
OPEB RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE COUNTY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST EIGHT FISCAL YEARS

	2025	2024	2023	2022
Total OPEB liability				
Service cost	$ 169,699	$ 163,080	$ 247,858	$ 202,064
Interest on total OPEB liability	181,179	129,738	99,160	113,650
Difference between expected and actual experience	(11,970)	1,188,899	59,407	(1,214,742)
Changes of assumptions and other inputs	(239,101)	(65,936)	(1,142,070)	402,123
Benefit payments	(136,265)	(110,980)	(100,248)	(101,103)
Net change in total OPEB liability	(36,458)	1,304,801	(835,893)	(598,008)
Total OPEB liability - beginning	4,861,632	3,556,831	4,392,724	4,990,732
Total OPEB liability - ending	$ 4,825,174	$ 4,861,632	$ 3,556,831	$ 4,392,724
Covered-employee payroll	2,858,533	$ 2,858,533	$ 3,036,779	$ 3,036,779
Total OPEB liability as a percentage of covered-employee payroll	168.8%	170.1%	117.1%	144.7%

Note:

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

2021	2020	2019	2018
$ 128,178	$ 196,506	$ 210,776	$ 242,984
133,294	170,249	156,015	138,268
(486)	(920,405)	5,311	14,055
1,093,833	(56,875)	(297,013)	(526,205)
(87,850)	(83,779)	(78,275)	(82,316)
1,266,969	(694,304)	(3,186)	(213,214)
3,723,763	4,418,067	4,421,253	4,634,467
$ 4,990,732	$ 3,723,763	$ 4,418,067	$ 4,421,253
$ 2,808,599	$ 2,808,599	$ 3,074,546	$ 3,074,546
177.7%	132.6%	143.7%	143.8%

GATES COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAST EIGHT FISCAL YEARS

LAW ENFORCEMENT OFFICERS SPECIAL SEPARATION ALLOWANCE

	2025	2024	2023	2022
Beginning balance of the total pension liability	$ 103,820	$ 126,100	$ 171,299	$ 162,311
Service cost	16,976	13,980	15,852	15,049
Interest on the total pension liability	4,023	5,295	3,595	2,878
Difference between expected and actual experience	55,384	(38,261)	(14,726)	22,375
Changes of assumptions or other inputs	(5,974)	3,207	(26,860)	(4,943)
Benefit payments	(6,501)	(6,501)	(23,060)	(26,371)
Ending balance of the total pension liability	$ 167,728	$ 103,820	$ 126,100	$ 171,299

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

2021	2020	2019	2018
$ 142,680	$ 188,078	$ 186,983	$ 167,183
10,135	8,970	11,037	10,060
4,274	6,484	5,595	6,070
(16,604)	(44,268)	10,057	14,296
44,947	3,286	(5,724)	9,244
(23,121)	(19,870)	(19,870)	(19,870)
$ 162,311	$ 142,680	$ 188,078	$ 186,983

GATES COUNTY, NORTH CAROLINA

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

LAW ENFORCEMENT OFFICERS SPECIAL SEPARATION ALLOWANCE

	2025	2024	2023	2022
Total pension liability	$ 167,728	$ 103,820	$ 126,100	$ 171,299
County's covered-employee payroll	$ 727,737	$ 681,229	$ 559,267	$ 494,689
Total pension liability as a percentage of covered-employee payroll	23.05%	15.24%	22.55%	34.63%

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

2021	2020	2019	2018
$ 162,311	$ 142,680	$ 188,078	$ 186,983
$ 519,948	$ 438,501	$ 473,835	$ 456,400
31.22%	32.54%	39.69%	40.97%

GATES COUNTY, NORTH CAROLINA

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

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	2025	2024	2023	2022
County's proportion of the net pension liability (asset) (%)	0.04138%	0.04141%	0.04348%	0.04097%
County's proportion of the net pension liability (asset) ($)	$ 2,789,351	$ 2,742,355	$ 2,452,893	$ 628,314
County's covered payroll	$ 3,985,669	$ 3,405,366	$ 3,298,091	$ 3,039,075
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	69.98%	80.53%	74.37%	20.67%
Plan fiduciary net position as a percentage of the total pension liability	83.30%	82.49%	84.14%	95.51%

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

2021	2020	2019	2018	2017	2016
0.04297%	0.04360%	0.04678%	0.04580%	0.04620%	0.04720%
$ 1,535,501	$ 1,190,682	$ 1,109,782	$ 699,697	$ 980,519	$ 211,696
$ 3,025,119	$ 3,008,903	$ 2,896,549	$ 2,702,668	$ 2,573,301	$ 2,404,383
50.76%	39.57%	38.31%	25.89%	38.10%	8.80%
88.61%	90.86%	91.63%	94.18%	91.47%	98.09%

GATES COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COUNTY'S CONTRIBUTIONS
LAST TEN FISCAL YEARS

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	2025	2024	2023	2022
Contractually required contribution	$ 602,274	$ 527,736	$ 419,058	$ 373,425
Contributions in relation to the contractually required contribution	602,274	527,736	419,058	373,425
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
County's covered payroll	$ 4,340,775	$ 3,985,669	$ 3,405,366	$ 3,298,091
Contributions as a percentage of covered payroll	13.87%	13.24%	12.31%	11.32%

2021	2020	2019	2018	2017	2016
$ 301,010	$ 292,029	$ 233,190	$ 221,586	$ 202,740	$ 182,772
301,010	292,029	233,190	221,586	202,740	182,772
$ -	$ -	$ -	$ -	$ -	$ -
$ 3,039,075	$ 3,025,119	$ 3,008,903	$ 2,896,549	$ 2,750,420	$ 2,702,668
9.90%	9.65%	7.75%	7.65%	7.37%	6.76%

GATES COUNTY, NORTH CAROLINA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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 TEN FISCAL YEARS*

REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND

	2025	2024	2023	2022
County's proportion of the net pension asset (%)	0.08080%	0.07386%	0.07334%	0.07064%
County's proportion of the net pension liability (asset) ($)	$ (9,311)	$ (8,876)	$ (9,710)	$ (13,572)
County's covered-employee payroll	$ 93,971	$ 79,710	$ 76,965	$ 73,853
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-9.91%	-11.14%	-12.62%	-18.38%
Plan fiduciary net position as a percentage of the total pension liability	133.61%	135.74%	139.04%	156.53%

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

2021	2020	2019	2018	2017	2016
0.07769%	0.07464%	0.08974%	0.08709%	0.09573%	0.09429%
$ (17,805)	$ (14,735)	$ (14,864)	$ (14,865)	$ (17,898)	$ (21,851)
$ 72,770	$ 73,800	$ 69,546	$ 42,450	$ 42,242	$ 41,206
-24.47%	-19.97%	-21.37%	-35.02%	-42.37%	-53.03%
173.62%	164.11%	153.31%	153.77%	160.17%	197.29%

GATES COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COUNTY'S CONTRIBUTIONS
LAST TEN FISCAL YEARS

REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND

	2025	2024	2023	2022
Contractually required contribution	$ 670	$ 695	$ 659	$ 841
Contributions in relation to the contractually required contribution	670	695	659	841
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
County's covered-employee payroll	$ 106,636	$ 93,971	$ 79,710	$ 76,965
Contributions as a percentage of covered-employee payroll	0.63%	0.74%	0.83%	1.09%

2021	2020	2019	2018	2017	2016
$ 848	$ 744	$ 757	$ 768	$ 757	$ 782
848	744	757	768	757	782
$ -	$ -	$ -	$ -	$ -	$ -
$ 73,853	$ 72,770	$ 73,800	$ 69,546	$ 42,450	$ 42,242
1.15%	1.02%	1.03%	1.10%	1.78%	1.85%

GATES COUNTY, NORTH CAROLINA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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.

MAJOR FUNDS BUDGET SCHEDULES

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, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Ad valorem taxes:				
Property taxes	$ 8,834,282	$ 8,847,082	$ 8,763,064	$ (84,018)
Total ad valorem taxes	8,834,282	8,847,082	8,763,064	(84,018)
Sales tax:				
Local option sales tax	3,739,313	3,755,909	4,012,631	256,722
Intergovernmental revenues:				
Beer and wine tax	45,030	45,030	40,177	(4,853)
Federal and State grants	1,523,981	1,866,243	1,730,986	(135,257)
ABC Revenue	6,500	6,500	6,140	(360)
Total intergovernmental revenues	1,575,511	1,917,773	1,777,303	(140,470)
Charges for services:				
Other charges	229,304	229,304	291,745	62,441
Investment earnings	500,000	500,000	281,959	(218,041)
Licenses, permits and fees:				
Licenses, permits and fees	150,030	154,524	164,783	10,259
Total licenses, permits and fees	150,030	154,524	164,783	10,259
Miscellaneous revenues:				
Other	93,150	124,008	90,488	(33,520)
Total miscellaneous revenues	93,150	124,008	90,488	(33,520)
Total revenues	15,121,590	15,528,600	15,381,973	(146,627)

(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, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
Expenditures				
Current:				
General Government:				
Governing body	$ 213,810	$ 264,402	$ 232,178	$ 32,224
Board of elections	223,929	248,367	219,162	29,205
Administrative services	434,103	413,008	386,064	26,944
Finance/IT service	712,824	734,537	681,382	53,155
Tax administration	336,773	349,466	309,472	39,994
Court facilities	31,775	31,775	27,575	4,200
Legal	45,000	45,000	38,250	6,750
Register of deeds	201,947	208,607	192,586	16,021
Buildings and grounds	948,851	948,458	873,250	75,208
Total	3,149,012	3,243,620	2,959,919	283,701
Public Safety:				
Sheriff	1,612,437	1,673,553	2,044,563	(371,010)
Emergency management	555,856	776,744	599,226	177,518
Jail	305,000	305,000	219,408	85,592
NC forest services	99,258	99,258	64,051	35,207
Telecommunication	775,740	775,986	775,986	-
Building inspector	141,676	155,956	121,255	34,701
Medical examiner	43,500	43,500	7,575	35,925
Rescue squad	1,059,685	1,059,685	1,059,685	-
Animal control	174,467	174,467	136,789	37,678
Total	4,767,619	5,064,149	5,028,538	35,611
Human Services:				
Health administration	166,416	166,416	166,056	360
Social services administration	1,881,489	1,927,154	1,708,756	218,398
Special assistance for adults	115,000	111,000	78,589	32,411
Medical assistance	1,000	1,017	17	1,000
Special social services	130,167	135,867	78,569	57,298
Special appropriations	242,352	217,352	182,802	34,550
Total	2,536,424	2,558,806	2,214,789	344,017
Education:				
Current expenses	2,953,700	2,953,000	2,953,000	-
Capital outlay	200,000	200,000	200,000	-
College of Albemarle - capital outlay	6,300	7,000	7,000	-
Total	3,160,000	3,160,000	3,160,000	-
Economic Development:				
Planning and zoning	330,382	329,382	285,983	43,399
Soil and water conservation	182,267	187,455	175,783	11,672
Cooperative extension service	309,285	309,269	306,958	2,311
Total	821,934	826,106	768,724	57,382

(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, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
Expenditures (Continued)				
Current (Continued):				
Culture and Recreation:				
Libraries	$ 114,600	$ 114,600	$ 114,600	$ -
Recreation	392,715	425,274	373,078	52,196
Total	507,315	539,874	487,678	52,196
Debt Service:				
Principal	792,916	814,346	815,080	(734)
Interest	142,215	142,215	139,170	3,045
Total	935,131	956,561	954,250	2,311
Total expenditures	15,877,435	16,349,116	15,573,898	775,218
Deficiency of revenues under expenditures	(755,845)	(820,516)	(191,925)	628,591
Other Financing Sources (Uses)				
Sale of capital assets	-	-	23,622	23,622
Issuance of lease	-	-	613,839	613,839
Transfers in	1,325,000	1,342,030	1,342,030	-
Transfers out	(1,061,255)	(1,232,768)	(1,232,768)	-
Appropriation (reserve) of fund balance	492,100	711,254	-	(711,254)
Total other financing sources	755,845	820,516	746,723	(73,793)
Net change in fund balances	$ -	$ -	554,798	$ 554,798
Fund balances, beginning of year			7,502,520	
Fund balance, end of year			8,057,318	
Reconciliation to GAAP statements:				
Beginning fund balance, Register of Deeds Automation Fund			19,562	
Change in fund balance in Register of Deeds Automation Fund			3,840	
Beginning fund balance, Transit Fund			291,896	
Change in fund balance in Transit Fund			20,397	
Beginning fund balance, Revaluation Fund			250,213	
Change in fund balance in Revaluation Fund			(156,230)	
Fund balance, General Fund			$ 8,486,996	

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, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Permits and fees	$ 4,250	$ 4,250	$ 3,803	$ (447)
Investment earnings	-	-	37	37
Total revenues	4,250	4,250	3,840	(410)
Expenditures				
General government				
Capital outlay	6,250	6,250	-	6,250
Total expenditures	6,250	6,250	-	6,250
Other Financing Sources (Uses)				
Fund balance appropriated	2,000	2,000	-	(2,000)
Total other financing sources	2,000	2,000	-	(2,000)
Net change in fund balances	-	-	3,840	3,840
Fund balance, beginning of year	-	-	19,562	-
Fund balance, end of year	$ -	$ -	$ 23,402	$ -

GATES COUNTY, NORTH CAROLINA

GATES COUNTY TRANSIT PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	$ 827,515	$ 851,662	$ 497,131	$ (354,531)
Charges for services	20,000	20,000	222,489	202,489
Miscellaneous	-	-	566	566
Total revenues	847,515	871,662	720,186	(151,476)
Expenditures				
Gates County Inter-Regional Transportation System	1,093,791	1,117,938	712,224	405,714
Total expenditures	1,093,791	1,117,938	712,224	405,714
Excess (deficiency) of revenues over (under) expenditures	(246,276)	(246,276)	7,962	254,238
Other Financing Sources (Uses)				
Appropriation of fund balance	208,276	208,276	-	(208,276)
Sale of capital assets	38,000	38,000	12,435	(25,565)
Total other financing sources	246,276	246,276	12,435	(233,841)
Net change in fund balances	-	-	20,397	20,397
Fund balance, beginning of year	-	-	291,896	-
Fund balance, end of year	$ -	$ -	$ 312,293	$ -

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, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Investment earnings	$ -	$ -	$ 194	$ 194
Total revenues	-	-	194	194
Expenditures				
General Government				
Revaluation	188,000	193,900	192,679	1,221
Total expenditures	188,000	193,900	192,679	1,221
Deficiency of revenues under expenditures	(188,000)	(193,900)	(192,485)	1,415
Other Financing Sources (Uses)				
Transfers in	36,255	36,255	36,255	(72,510)
Appropriated fund balance	151,745	157,645	-	(157,645)
Total other financing sources	188,000	193,900	36,255	(230,155)
Net change in fund balances	-	-	(156,230)	(228,740)
Fund balance, beginning of year	-	-	250,213	-
Fund balance, end of year	$ -	$ -	$ 93,983	$ -

GATES COUNTY, NORTH CAROLINA

OPIOID SETTLEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2025

	Project Authorization	Actual		
		Prior Years	Current Year	Total
REVENUES				
Opioid revenue	$ 450,000	$ 268,067	$ 85,763	$ 353,830
Investment earnings	-	-	509	509
Miscellaneous	-	900	-	900
Total revenues	450,000	268,967	86,272	355,239
EXPENDITURES				
Public safety	450,000	-	13,455	13,455
Total expenditures	450,000	-	13,455	13,455
Net change in fund balance	$ -	$ 268,967	72,817	$ 341,784
Fund balance, beginning of year			268,967	
Fund balance, end of year			$ 341,784	

GATES COUNTY, NORTH CAROLINA

SCHOOL CAPITAL OUTLAY FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2025

	Project Authorization	Actual		
		Prior Years	Current Year	Total
REVENUES				
Investment earnings	$ -	$ 12,618	$ 3,799	$ 16,417
Miscellaneous	459,500	1,102,064	-	1,102,064
Total Revenues	459,500	1,114,682	3,799	1,118,481
EXPENDITURES				
Education	2,361,289	566,139	-	566,139
Total expenditures	2,361,289	566,139	-	566,139
Excess (deficiency) of revenues over (under) expenditures	(1,901,789)	548,543	3,799	552,342
OTHER FINANCING SOURCES (USES)				
Transfers in	5,314,248	5,696,700	1,041,596	6,738,296
Transfers out	(3,412,459)	(4,012,621)	(1,025,000)	(5,037,621)
Total other financing sources (uses)	1,901,789	1,684,079	16,596	1,700,675
Net change in fund balances	$ -	$ 2,232,622	20,395	$ 2,253,017
Fund balance, beginning of year			2,233,622	
Fund balance, end of year			$ 2,254,017	

GATES COUNTY, NORTH CAROLINA

COVID-19 RELIEF FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2025

	Project Authorization	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	$ 1,262,512	$ 762,512	$ 500,000	$ 1,262,512
Investment earnings	17,030	16,723	307	17,030
Total revenues	1,279,542	779,235	500,307	1,279,542
EXPENDITURES				
Public safety	224,067	224,067	-	224,067
Total expenditures	224,067	224,067	-	224,067
Excess of revenues over expenditures	1,055,475	555,168	500,307	1,055,475
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,055,475)	(538,445)	(517,030)	(1,055,475)
Net change in fund balances	$ -	$ 16,723	(16,723)	$ -
Fund balance, beginning of year			16,723	
Fund balance, end of year			$ -	

GATES COUNTY, NORTH CAROLINA

SCHOOL LOTTERY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2025

	Project Authorization	Actual		
		Prior Years	Current Year	Total
Revenues				
Intergovernmental	$ 514,143	$ 448,657	$ 56,023	$ 504,680
Total revenues	514,143	448,657	56,023	504,680
Expenditures				
Education	514,143	448,657	56,023	504,680
Total expenditures	514,143	448,657	56,023	504,680
Net change in fund balances	$ -	$ -	-	$ -
Fund balance, beginning of year			-	
Fund balance, end of year			$ -	

GATES COUNTY, NORTH CAROLINA

NEEDS-BASED GRANT - GATESVILLE ELEMENTARY FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2025

	Project Authorization	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	$ 1,782,000	$ 669,082	$ 441,906	$ 1,110,988
Total revenues	1,782,000	669,082	441,906	1,110,988
EXPENDITURES				
Education	1,782,000	717,536	398,562	1,116,098
Total expenditures	1,782,000	717,536	398,562	1,116,098
Net change in fund balances	$ -	$ (48,454)	43,344	$ (5,110)
Fund deficit, beginning of year			(48,454)	
Fund deficit, end of year			$ (5,110)	

GATES COUNTY, NORTH CAROLINA

NEEDS-BASED GRANT - GCHS FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2025

	Project Authorization	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	$ 9,839,720	$ 943,170	$ 5,035,821	$ 5,978,991
Total revenues	9,839,720	943,170	5,035,821	5,978,991
EXPENDITURES				
Education	10,839,720	868,180	5,368,197	6,236,377
Total expenditures	10,839,720	868,180	5,368,197	6,236,377
Excess (deficiency) of revenues (under) expenditures	(1,000,000)	74,990	(332,376)	(257,386)
OTHER FINANCING SOURCES (USES)				
Fund balance appriopriated	1,000,000	-	-	-
Total other financing sources	1,000,000	-	-	-
Net change in fund balances	$ -	$ 74,990	(332,376)	$ (257,386)
Fund balance, beginning of year			74,990	
Fund deficit, end of year			$ (257,386)	

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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 Sheriff's Department to aid the fight against drug crime in the County.

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

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

Needs-based Grant – TS Cooper-accounts for the TS Cooper school wastewater improvement that includes the design and construction of duplex pumping station with backup generator and construction of wastewater treatment facility.

Needs-based Grant – Buckland Project-accounts for the Buckland school wastewater improvement that includes the design and construction of duplex pumping station with backup generator and construction of wastewater treatment facility.

State Capital and Infrastructure Grants Fund (SCIF)-accounts for renovation and roof replacement of the Gates County Community Center.

Directed Fund-accounts for vehicles and equipment for the Sheriff's office.

GATES COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

	Special Revenue Funds			
ASSETS	Fire Protection	Illegal Substance Tax	Representative Payee	Housing Rehab
Cash and cash equivalents	$ 9,179	$ 34,159	$ 5,805	$ 6,388
Accounts receivable	-	400	-	-
Due from other governments	-	-	-	-
Total assets	9,179	34,559	5,805	6,388
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	9,179	-	-	-
Total liabilities	9,179	-	-	-
FUND BALANCES				
Restricted:				
Public safety	-	34,559	-	-
Economic development	-	-	-	6,388
Human services	-	-	5,805	-
Total fund balances (deficit)	-	34,559	5,805	6,388
Total liabilities and fund balances	$ 9,179	$ 34,559	$ 5,805	$ 6,388

Special Revenue Funds				Total Nonmajor Governmental Funds
Needs-based Grant TS Cooper	Needs-based Grant Buckland Project	SCIF	Directed Grant	
$ -	$ -	$ 459,989	$ 147,178	$ 662,698
-	-	-	9,084	9,484
-	-	-	-	-
-	-	459,989	156,262	672,182
-	4,410	-	1,975	15,564
-	4,410	-	1,975	15,564
-	-	-	154,287	188,846
-	-	459,989	-	466,377
-	(4,410)	-	-	1,395
-	(4,410)	459,989	154,287	656,618
$ -	$ -	$ 459,989	$ 156,262	$ 672,182

GATES COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Special Revenue Funds				
	Fire Protection	Illegal Substance Tax	Representative Payee	Housing Rehab	Needs-based Grant TS Cooper
REVENUES					
Charges for services	$ 246,992	$ -	$ -	$ -	$ -
Intergovernmental revenues	-	8,295	33,350	-	15,900
Investment earnings	-	-	-	-	-
Miscellaneous	-	4,101	-	-	-
Total revenues	246,992	12,396	33,350	-	15,900
EXPENDITURES					
Public safety	246,992	6,375	-	-	-
Economic development	-	-	-	1,336	15,900
Human services	-	-	29,913	-	-
Education	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	246,992	6,375	29,913	1,336	15,900
Excess (deficiency) of revenues over (under) expenditures	-	6,021	3,437	(1,336)	-
Net change in fund balances	-	6,021	3,437	(1,336)	-
FUND BALANCES, beginning of year	-	28,538	2,368	7,724	-
FUND BALANCES, end of year	$ -	$ 34,559	$ 5,805	$ 6,388	$ -

Special Revenue Funds				
Needs-based Grant Buckland Project	SCIF	Directed Grant	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ 246,992
109,497	-	-	167,042
-	840	352	1,192
-	-	-	4,101
109,497	840	352	419,327
-	-	146,065	399,432
113,907	-	-	131,143
-	-	-	29,913
-	-	-	-
-	-	-	-
113,907	-	146,065	560,488
(4,410)	840	(145,713)	(141,161)
(4,410)	840	(145,713)	(141,161)
-	459,149	300,000	797,779
$ (4,410)	$ 459,989	$ 154,287	$ 656,618

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, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Fire protection fees	$ 260,000	$ 260,000	$ 246,992	$ (13,008)
Total revenues	260,000	260,000	246,992	(13,008)
EXPENDITURES				
Public safety	260,000	260,000	246,992	13,008
Total expenditures	260,000	260,000	246,992	13,008
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ -	$ -	$ -

GATES COUNTY, NORTH CAROLINA

ILLEGAL SUBSTANCE TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Tax revenues	$ 4,050	$ 8,245	$ 8,295	$ 50
Other revenues	500	1,501	4,101	2,600
Total revenues	4,550	9,746	12,396	2,650
EXPENDITURES				
Public safety	4,550	12,546	6,375	6,171
Total expenditures	4,550	12,546	6,375	6,171
Excess (deficiency) of revenues over (under) expenditures	-	(2,800)	6,021	8,821
OTHER FINANCING SOURCES (USES)				
Appropriation of fund balance	-	2,800	-	(2,800)
Total other financing sources	-	2,800	-	(2,800)
Net change in fund balances	-	-	6,021	6,021
Fund balance, beginning of year	-	-	28,538	-
Fund balance, end of year	$ -	$ -	$ 34,559	$ -

GATES COUNTY, NORTH CAROLINA

REPRESENTATIVE PAYEE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 14,550	$ 36,842	$ 33,350	$ (3,492)
Total revenues	14,550	36,842	33,350	(3,492)
EXPENDITURES				
Human services	14,550	36,842	29,913	6,929
Total expenditures	14,550	36,842	29,913	6,929
Net change in fund balances	-	-	3,437	3,437
Fund balance, beginning of year	-	-	2,368	-
Fund balance, end of year	$ -	$ -	$ 5,805	$ -

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, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
EXPENDITURES				
Economic development	-	1,336	1,336	-
Total expenditures	-	1,336	1,336	-
Deficiency of revenues under expenditures	-	(1,336)	(1,336)	-
OTHER FINANCING SOURCES (USES)				
Appropriation of fund balance	-	1,336	-	(1,336)
Total other financing sources	-	1,336	-	(1,336)
Net change in fund balances	-	-	(1,336)	(1,336)
Fund balance, beginning of year	-	-	7,724	-
Fund balance, end of year	$ -	$ -	$ 6,388	$ -

GATES COUNTY, NORTH CAROLINA

SCIF FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2025

	Project Authorization	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	$ 500,000	$ 500,000	$ -	$ 500,000
Investment earnings	-	1,149	840	1,989
Total revenues	500,000	501,149	840	501,989
EXPENDITURES				
Capital outlay	500,000	42,000	-	42,000
Net change in fund balances	$ -	$ 459,149	840	$ 459,989
Fund balance, beginning of year			459,149	
Fund balance, end of year			$ 459,989	

GATES COUNTY, NORTH CAROLINA

DIRECTED GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2025

	Project Authorization	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	$ 300,000	$ 300,000	$ -	$ 300,000
Investment earnings	-	-	352	352
Total revenues	300,000	300,000	352	300,352
EXPENDITURES				
Public safety	300,000	-	146,065	146,065
Total expenditures	300,000	-	146,065	146,065
Net change in fund balances	$ -	$ 300,000	(145,713)	$ 154,287
Fund balance, beginning of year			300,000	
Fund balance, end of year			$ 154,287	

GATES COUNTY, NORTH CAROLINA

NEEDS BASED GRANT - TS COOPER RENOVATION
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2025

	Project Authorization	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	$ 1,716,000	$ -	$ 15,900	$ 15,900
Total revenues	1,716,000	-	15,900	15,900
EXPENDITURES				
Education	1,716,000	-	15,900	15,900
Total expenditures	1,716,000	-	15,900	15,900
Net change in fund balances	$ -	$ -	-	$ -
Fund balance, beginning of year			-	
Fund balance, end of year			$ -	

GATES COUNTY, NORTH CAROLINA

NEEDS BASED GRANT - BUCKLAND PROJECT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2025

	Project Authorization	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	$ 2,904,000	$ -	$ 109,497	$ 109,497
Total revenues	2,904,000	-	109,497	109,497
EXPENDITURES				
Education	2,904,000	-	113,907	113,907
Total expenditures	2,904,000	-	113,907	113,907
Net change in fund balances	$ -	$ -	(4,410)	$ (4,410)
Fund balance, beginning of year			-	
Fund balance, end of year			$ (4,410)	

PROPRIETARY FUNDS

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.

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

Capital Project funds within the Water Fund:

TS Cooper Wastewater Improvement includes engineering, design and construction of duplex pumping station (50 gallons per minute) capacity with back-up generator and construction of 41,500 feet of 4-inch force main from the school to the County's 0.40 MGD SBR wastewater treatment facility.

Lead Line Investigation Study includes evaluation of all distribution maps & drawings, including field surveys, which may indicate date of installation or material composition of the water mains and service lines for the consolidated water distribution system of the Town of Gatesville and Gates County which were merged, and all assets transferred to the County effective October 1, 2013.

SL 2023-134 Funds establish a multi-year capital project fund allocating project construction costs, in addition to design, engineering, permitting, surveying, bidding, construction observation, as-builts, GIS and grant administration for a listing of nine individual projects.

Water Asset Inventory Assessment includes engineering services to provide asset inventory, field services, GIS map, assessment, and management plan for the consolidated water distribution system of the Town of Gatesville and Gates County which were merged, and all assets transferred to the County effective October 1, 2013.

Wastewater Asset Inventory Assessment includes engineering services to provide asset inventory, field services, GIS map, assessment, and management plan for consolidated wastewater treatment and collection system including the 0.015 MGD WWTP constructed in 1989, and the 2017 upgraded pumping station on Honey Pot Road; and 0.04 MGD WWTP Sequential Batch Reactor facility on Will Lane in 2018.

SRF-W-0011 Wastewater Treatment Plant includes restoration of Gates County Wastewater System's 0.015 MGD Wastewater Treatment Plant.

Buckland Wastewater Improvement includes engineering, design and construction of duplex pumping station (50 gpm) capacity with back-up generator and construction of 14,500 feet of 4-inch force main from the school to the County's 0.40 MGD SBR wastewater treatment facility.

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, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Transfer fees	$ 998,000	$ 998,000	$ 1,009,742	$ 11,742
Intergovernmental	500	500	2,790	2,290
Other operating	-	-	7,696	7,696
Investment earnings	2,000	2,000	910	(1,090)
Total revenues	1,000,500	1,000,500	1,021,138	20,638
NONOPERATING REVENUES				
Nonoperating	35,200	36,751	33,099	(3,652)
Total nonoperating revenues	35,200	36,751	33,099	(3,652)
EXPENDITURES				
Administration	1,070,120	1,071,671	1,166,911	(95,240)
Total expenditures	1,070,120	1,071,671	1,166,911	(95,240)
Deficiency of revenues under expenditures	(34,420)	(34,420)	(112,674)	(78,254)
OTHER FINANCING SOURCES (USES)				
Appropriation of fund balance	34,420	34,420	-	(34,420)
Total other financing sources	34,420	34,420	-	(34,420)
Net change in fund balance	$ -	$ -	$ (112,674)	$ (112,674)

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, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 1,543,497	$ 1,543,497	$ 1,437,486	$ (106,011)
Investment earnings	6,000	6,000	5,747	(253)
Miscellaneous	111,000	642,912	41,450	(601,462)
Total revenues	1,660,497	2,192,409	1,484,683	(707,726)
EXPENDITURES				
Water operations	1,343,119	2,283,209	1,526,342	756,867
Sewer operations	354,100	323,541	69,820	253,721
Capital outlay	296,354	296,354	296,354	-
Total expenditures	1,993,573	2,903,104	1,892,516	1,010,588
Deficiency of revenues under expenditures	(333,076)	(710,695)	(407,833)	302,862
DEBT SERVICE				
Principal	-	76,552	76,552	-
Interest	-	5,239	5,239	-
	-	81,791	81,791	-
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	354,917	354,917
Transfer out	-	(136,839)	(136,839)	-
Appropriation of fund balance	333,076	929,325	-	(929,325)
Total other financing sources	333,076	792,486	218,078	(574,408)
Net change in fund balance	$ -	$ -	(271,546)	$ (271,546)
Adjustments to full accrual:				
Capital Outlay			296,354	
Change in total OPEB liability and related deferrals			(202,087)	
Change in net pension liability and related deferrals			(30,710)	
Change in compensated absences			(8,203)	
Depreciation/amortization expense			(360,477)	
Principal payments			76,552	
Noncapitalized cost from project funds			(469,087)	
Transfers in from project funds			136,839	
Intergovernmental revenue in project funds			1,027,330	
Change in net position - GAAP Basis			$ 194,965	

GATES COUNTY, NORTH CAROLINA

TS COOPER WASTEWATER IMPROVEMENT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2025

	Project Authorization	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	$ 2,816,052	$ -	$ 130,951	$ 130,951
Total revenues	2,816,052	-	130,951	130,951
EXPENDITURES				
Capital Outlay	2,872,373	-	136,951	136,951
Total expenditures	2,872,373	-	136,951	136,951
Deficiency of revenues under expenditures	(56,321)	-	(6,000)	(6,000)
OTHER FINANCING SOURCES (USES)				
Transfers in	56,321	-	56,321	56,321
Total other financing sources	56,321	-	56,321	56,321
Net change in fund balances	$ -	$ -	50,321	$ 50,321
Fund balance, beginning of year			-	
Fund balance, end of year			$ 50,321	

GATES COUNTY, NORTH CAROLINA

LEAD LINE INVESTIGATION STUDY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION-BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ -	$ 114,800	$ 38,868	$ (75,932)
Total revenues	-	114,800	38,868	(75,932)
EXPENDITURES				
Engineering	-	334,560	117,610	216,950
Total expenditures	-	334,560	117,610	216,950
Deficiency of revenues under expenditures	-	(219,760)	(78,742)	141,018
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	213,200	72,182	285,382
Transfer In	-	6,560	6,560	-
Total other financing sources	-	219,760	78,742	285,382
Net change in fund balance	$ -	$ -	-	$ -
Fund balance, beginning of year			-	
Fund balance, end of year			$ -	

GATES COUNTY, NORTH CAROLINA

SL 2023-134 FUNDS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2025

	Project Authorization	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	$ 9,992,825	$ -	$ 263,932	$ 263,932
Total revenues	9,992,825	-	263,932	263,932
EXPENDITURES				
Capital outlay	9,992,825	-	271,432	271,432
Total expenditures	9,992,825	-	271,432	271,432
Net change in fund balances	$ -	$ -	(7,500)	$ (7,500)
Fund balance, beginning of year			-	
Fund deficit, end of year			$ (7,500)	

GATES COUNTY, NORTH CAROLINA

WATER ASSET INVENTORY ASSESSMENT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION-BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ -	$ 383,000	$ 250,300	$ (132,700)
Total revenues	-	383,000	250,300	(132,700)
EXPENDITURES				
Engineering	-	383,000	250,300	132,700
Total expenditures	-	383,000	250,300	132,700
Net change in fund balance	$ -	$ -	-	$ -
Fund balance, beginning of year			-	
Fund balance, end of year			$ -	

GATES COUNTY, NORTH CAROLINA

WASTEWATER ASSET INVENTORY ASSESSMENT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION-BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ -	$ 250,000	$ 97,682	$ (152,318)
Total revenues	-	250,000	97,682	(152,318)
EXPENDITURES				
Engineering	-	253,495	101,177	152,318
Total expenditures	-	253,495	101,177	152,318
Deficiency of revenues under expenditures	-	(3,495)	(3,495)	-
OTHER FINANCING SOURCES (USES)				
Transfer in	-	3,495	3,495	-
Total other financing sources	-	3,495	3,495	-
Net change in fund balance	$ -	$ -	-	$ -
Fund balance, beginning of year			-	
Fund balance, end of year			$ -	

GATES COUNTY, NORTH CAROLINA

SRF-W-0011 WASTEWATER TREATMENT PLAN
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2025

	Project Authorization	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	$ 2,217,816	$ -	$ 156,759	$ 156,759
Total revenues	2,217,816	-	156,759	156,759
EXPENDITURES				
Capital outlay	2,262,172	-	173,877	173,877
Total expenditures	2,262,172	-	173,877	173,877
Deficiency of revenues under expenditures	(44,356)	-	(17,118)	(17,118)
OTHER FINANCING SOURCES (USES)				
Transfers in	44,356	-	44,356	44,356
Total other financing sources	44,356	-	44,356	44,356
Net change in fund balances	$ -	$ -	27,238	$ 27,238
Fund balance, beginning of year			-	
Fund balance, end of year			$ 27,238	

GATES COUNTY, NORTH CAROLINA

BUCKLAND WASTEWATER IMPROVEMENT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2025

	Project Authorization	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	$ 1,305,333	$ -	$ 16,656	$ 16,656
Total revenues	1,305,333	-	16,656	16,656
EXPENDITURES				
Capital Outlay	1,331,440	-	17,635	17,635
Total expenditures	1,331,440	-	17,635	17,635
Deficiency of revenues under expenditures	(26,107)	-	(979)	(979)
OTHER FINANCING SOURCES (USES)				
Transfers in	26,107	-	26,107	26,107
Total other financing sources	26,107	-	26,107	26,107
Net change in fund balances	$ -	$ -	25,128	$ 25,128
Fund balance, beginning of year			-	
Fund balance, end of year			$ 25,128	

CUSTODIAL FUNDS

GATES COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2025

	Town of Gatesville	Emergency Medical Services	Total Custodial Funds
ASSETS			
Cash and cash equivalents	$ 3,803	$ -	$ 3,803
Total assets	3,803	-	3,803
LIABILITIES			
Accounts payable	3,803	-	3,803
Total liabilities	$ 3,803	$ -	$ 3,803

GATES COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Town of Gatesville	Emergency Medical Services	Total Custodial Funds
ADDITIONS			
Tax collections for Town of Gatesville	$ 121,913	$ -	$ 121,913
EMS insurance reimbursements	-	148,999	148,999
Total additions	121,913	148,999	270,912
DEDUCTIONS			
Remittances to Town of Gatesville	121,913	-	121,913
Remittances to Gates County Rescue Squad	-	148,999	148,999
Total deductions	121,913	148,999	270,912
Change in net position	-	-	-
NET POSITION, beginning of year	-	-	-
NET POSITION, end of year	$ -	$ -	$ -

PROPERTY TAX SCHEDULES

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2025

Fiscal Year	Uncollected Balance June 30, 2024	Additions	Collections and Credits	Uncollected Balance June 30, 2025
2024-2025	$ -	$ 8,739,272	$ 8,485,299	**$ 253,973**
2023-2024	282,635	635	150,235	**133,035**
2022-2023	110,092	-	31,106	**78,986**
2021-2022	51,225	-	10,040	**41,185**
2020-2021	42,403	-	6,556	**35,847**
2019-2020	38,987	5	5,270	**33,722**
2018-2019	31,861	-	4,068	**27,793**
2017-2018	26,808	-	3,440	**23,368**
All prior	63,776	-	16,677	**47,099**
	$ 647,787	$ 8,739,912	$ 8,712,691	**675,008**
	Less: allowance for uncollectible accounts - General Fund			**(282,204)**
	Ad valorem taxes receivable - net			**$ 392,804**
	Reconciliation to revenues:			
	Ad valorem taxes - General Fund			**$ 8,763,064**
	Reconciling items:			
	Less 60 day collections			**(5,575)**
	Miscellaneous adjustments			**(44,798)**
	Total collections and credits			**$ 8,712,691**

GATES COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
COUNTY-WIDE LEVY
JUNE 30, 2025

	County-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	$ 1,034,337,333	0.0084	$ 8,688,434	$ 7,410,451	$ 1,277,983
Discoveries:					
Current year tax	3,391,905	0.0084	28,492	28,492	-
Penalties	-		26,518	16,203	10,315
Total	1,037,729,238		8,743,444	7,455,146	1,288,298
Adjustments	(496,667)	0.0084	(4,172)	(4,172)	-
Total property valuation	$ 1,037,232,571				
Net levy			8,739,272	7,450,974	1,288,298
Uncollected taxes at June 30, 2025			(253,973)	(253,973)	-
Current year's taxes collected			$ 8,485,299	$ 7,197,001	$ 1,288,298
Current levy collection percentage			97.09%	96.59%	100.00%

COMPLIANCE SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
Gates County
Gatesville, North Carolina

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **Gates County, North Carolina** (the "County") as of and for the year ended June 30, 2025, and the related notes to the financial statements which collectively comprise the County's basic financial statements and have issued our report thereon dated January 30, 2026. Our report includes a reference to other auditors who audited the financial statements of the Gates County ABC Board, as described in our report on the County's financial statements. The financial statements of the Gates County ABC Board were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Gates County ABC Board or that are reported on separately by those auditors who audited the financial statements of the Gates County ABC Board.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Gates County, North Carolina's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Mauldin & Jenkins, PLLC

Raleigh, North Carolina
January 30, 2026

MAULDIN & JENKINS
CPAs & ADVISORS

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

To the Board of Commissioners
Gates County, North Carolina
Gatesville, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **Gates County, North Carolina's** (the "County") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2025. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our ethical and other responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of law, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Mauldin & Jenkins, PLLC

Raleigh, North Carolina
January 30, 2026

MAULDIN & JENKINS
CPAs & ADVISORS

Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control over Compliance in Accordance with Applicable Sections of the OMB Uniform Guidance and the State Single Audit Implementation Act

To the Board of Commissioners
Gates County, North Carolina
Gatesville, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited **Gates County, North Carolina's** (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major state programs for the year ended June 30, 2025. The County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2025.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major state program.

Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of the major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Mauldin & Jenkins, PLLC

Raleigh, North Carolina
January 30 , 2026

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2025

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Agency or Pass-through Grantor Number	Expenditures Federal	Expenditures State
Federal Awards:				
U.S. Department of Agriculture				
Passed through North Carolina Department of Health and Human Services				
Supplemental Nutrition Assistance Program:				
SNAP Administration	10.561	WCA375	$ 225,915	$ 4,773
Supplemental Nutrition Assistance Program Cluster			225,915	4,773
Total U.S. Department of Agriculture			225,915	4,773
U.S. Department of Transportation:				
Passed through North Carolina Department of Transportation				
Transit Services Cluster:				
Federal Transit - EDTAP Operating	20.513	22-ED-067	5,827	-
Total Transit Services Cluster			5,827	-
Formula Grants for Rural Areas	20.509	23-CT-067	260,187	4,612
Total Federal Transit Cluster			260,187	4,612
Total U.S. Department of Transportation			266,014	4,612
U.S. Department of Homeland Security				
Passed through North Carolina Department of Crime Control and Public Safety				
Emergency Management Performance Grant	97.042	EMPG-2024-036	20,625	-
			20,625	-
Total U.S. Department of Homeland Security			20,625	-
U.S. Department of Health and Human Services				
Passed through North Carolina Department of Health and Human Services				
Child Care Development Cluster:				
Child Care Development Fund - Administration	93.596	WCA375	6,106	-
Total Child Care Development Cluster			6,106	-
Temporary Assistance for Needy Families:				
TANF - Work First Administration	93.558	WCA375	21,572	-
TANF - Work First Service	93.558	WCA375	66,516	-
Total Temporary Assistance for Needy Families Cluster			88,088	-
Foster Care Program:				
Foster Care Title IV-E	93.658	WCA375	7,521	-
Total Foster Care			7,521	-
Medicaid:				
Adult Care Home Case Management	93.778	WCA375	11,607	1,876
State County Special Assistance	93.778	WCA375	624	-
Medical Assistance - Administration	93.778	WCA375	465,127	88,859
Medical Transportation Services	93.778	WCA375	23,071	-
Total Medicaid Cluster			500,429	90,735
Social Services Block Grant:				
Social Services Block Grant	93.667	WCA375	699	-
Social Services Block Grant - Other Services	93.667	WCA375	87,597	-
Total Social Services Block Grant			88,296	-

(Continued)

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2025

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Agency or Pass-through Grantor Number	Expenditures Federal	Expenditures State
Federal Awards (Continued):				
U.S. Department of Health and Human Services (Continued)				
Passed through North Carolina Department of Health and Human Services (Continued)				
Low-income Home Energy Assistance Program:				
Low-income Energy Administration	93.568	WCA375	$ 9,689	$ -
Total Low-Income Home Energy Assistance Grant			9,689	-
Child Support Enforcement Program:				
IV-D Administration	93.563	WCA375	179,264	-
Total Child Support Enforcement Grant			179,264	-
Refugee and Entrant Assistance Cluster				
Refugee and Entrant Assistance State Administered Programs	93.566	WCA375	1,012	-
Total Child Support Enforcement Grant			1,012	-
Children's Health Insurance Program (CHIP):				
North Carolina Health Choice	93.767	WCA375	85,495	27,562
Total Child Support Enforcement Grant			85,495	27,562
Total U.S. Department of Health and Human Services			965,900	118,297
U.S. Department of Housing and Urban Development				
Passed through North Carolina Housing Finance Agency				
Essential Single-family Rehabilitation Loan Pool - (ESFRLP-DR)	14.239	M15-SG370100	1,336	-
Total U.S. Department of Housing and Urban Development			1,336	-
U.S. Department of Treasury				
Coronavirus State and Local Fiscal Recovery Funds (ARPA)	21.027	1505-0271	500,000	-
Passed through North Carolina Department of Environmental Quality				
Water System AIA	21.027	4344	250,300	-
Total U.S. Department of Treasury			750,300	-
TOTAL FEDERAL AWARDS			2,230,090	127,682
State Awards:				
North Carolina Department of Administration:				
Veteran Services			-	2,272
Veteran Services Grant			-	7,235
Total North Carolina Department of Administration			-	9,507
North Carolina Department of Environmental Quality:				
S.L. 2023-134 Water Improvements		SRP-D-134-0153	-	20,074
S.L. 2023-134 Water Improvements		SRP-D-134-0154	-	251,358
Lead Line Investigation Study - Grant		SRF-D-LSL-0069	-	38,868
Lead Line Investigation Study - Loan		SRF-D-LSL-0069	-	72,182
Wastewater System AIA		AIA-W-ARP-0287	-	17,000
Wastewater System AIA		AIA-W-VUR-0030	-	80,682
Wastewater Treatment Improvement		SRF-W-0011	-	156,758
T.S. Cooper Wastewater Improvement		SRF-W-0023	-	130,950
Buckland Wastewater Improvement		SRF-W-0024	-	16,656
Total North Carolina Department of Environmental Quality			-	784,528

(Continued)

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2025

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Agency or Pass-through Grantor Number	Expenditures Federal	Expenditures State
State Awards (Continued):				
North Carolina Department of Transportation:				
Rural Operating Assistance Program				
Elderly and Disabled Transportation Assistance Program			$ -	$ 40,941
ROAP Employment/Work First			-	4,970
Rural General Public Program			-	54,863
Total Rural Operating Assistance Program			-	100,774
Total North Carolina Department of Transportation			-	100,774
North Carolina Department of Public Safety				
State Directed Grant - Gates County Sheriff's Office		GATESCO 2021-2023	-	37,539
State Directed Grant - Gates County Sheriff's Office		GATESCO 2023-2025	-	25,359
EM Capacity Building Competitive Grant		24CBCG245	-	69,818
Total State Directed Grants			-	132,716
Criminal Justice Partnership		737-10497	-	35,791
Genesis - JCPC Tutoring/Academic Enhancement		737-10132	-	38,584
Total North Carolina Department of Public Safety			-	207,091
North Carolina Office of State Budget and Management				
Register of Deeds Grant Program		2024RD1	-	2,714
State Directed Grant - Gates County		20243	-	146,065
Total Local Emergency Planning Program			-	148,779
North Carolina Department of Public Instruction				
Public School Building Capital Fund - Lottery Proceeds			-	56,024
Public School Building Capital Fund - Needs Based TS Cooper			-	15,900
Public School Building Capital Fund - Needs Based (GES)			-	398,562
Public School Building Capital Fund - Needs Based (GCHS)			-	5,368,197
Public School Building Capital Fund - Needs Based (Buckland)			-	113,907
Total North Carolina Department of Information Technology			-	5,952,590
North Carolina Department of Agriculture & Consumer Services				
Soil & Water Conservation (Stream Debris Removal)			-	72,829
Surry Nuclear Power Plant			-	505
Scrap Tire Disposal			-	14,044
Total North Carolina Department of Agriculture & Consumer Services			-	87,378
Other Financial Assistance				
North Carolina Department of Justice				
Opioid Settlement Fund (Note 2)			-	13,455
Total North Carolina Department of Justice			-	13,455
TOTAL STATE AWARDS			-	7,304,102
TOTAL FEDERAL AND STATE AWARDS			$ 2,230,090	$ 7,431,784

GATES COUNTY, NORTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1. BASIS OF PRESENTATION AND ACCOUNTING

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

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

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

The County elected not to utilize the ten percent de Minimis indirect cost rate.

NOTE 2. OPIOID SETTLEMENT FUND

The NC Department of Justice does not consider the Opioid Settlement Fund either Federal or State Financial Assistance since they are from a settlement with private major drug companies. Since these funds are subject to the State Single Audit Implementation Act, they are reported as "Other Financial Assistance" on the SEFSA and considered State Awards for State single audit requirement.

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	X Yes ____ No
Significant deficiencies identified?	____ Yes X None reported
Noncompliance material to financial statements noted?	____ Yes X No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	____ Yes X None reported
Significant deficiencies identified?	____ Yes X No
Type of auditor's report issued on compliance of major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes X No

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds (ARPA)
93.778	Medical Assistance Program (Medicaid Cluster)

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

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

SECTION I
SUMMARY OF AUDITOR'S RESULTS (CONTINUED)

State Awards

Internal control over major state programs:

Material weaknesses identified?	_____ Yes __X__ No
Significant deficiencies identified?	_____ Yes __X__ None reported
Type of auditor's report issued on compliance of major state programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the State of North Carolina Single Audit Implementation Act?	__X__ Yes ____ No
Auditee qualified as low-risk State auditee?	No

Identification of major state program:

Program Name

Public School Building Capital Fund – Needs-based (GCHS)

Other major state program includes the Medical Assistance Program (Medicaid) which has a state match on the federal program. Therefore, this program has been included in the major programs above.

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2025-001 Material Weakness over Water Fund Inventory

Criteria: Per generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements, governmental entities are required to maintain accurate and complete inventory records to ensure proper financial reporting and internal control over assets.

Condition: During our inventory count for the audit, we noted that inventory balances reported at year-end were misstated. The recorded inventory did not reconcile with physical inventory counts conducted at year-end.

Context/Cause: The deficiency appears to result from a lack of effective oversight and review of inventory procedures which led to errors during the County's physical count of items to be recorded as inventory in the Water Fund. Specifically, the County erroneously miscounted one item and did not include another item on the year end listing. This led to the Water Fund's inventory balance being understated by approximately $28,000.

Effects: An audit adjustment of $28,000 was needed to correct the inventory accounts in the County's general ledger as of and for the year ended June 30, 2025.

Recommendation: We recommend the County implement and enforce stronger internal controls over inventory management, including regular reconciliations, and adherence to formal inventory procedures.

Auditee's Response: The County agrees with the finding and acknowledges the issue.

SECTION III
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV
STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

GATES COUNTY, NORTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

2024-001 Financial Close and Maintenance of General Ledger Accounts

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

Condition: The County's reviews and year-end adjustments were not sufficient to prevent, or detect and correct, material misstatements in the County's financial statements submitted for audit.

Current Status: Corrected.

2024-002 Restatement of Prior Year Balances

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

Condition: Internal controls were not sufficient to timely detect material misstatements in the County's financial statements for the year ended June 30, 2023.

Current Status: Corrected.

2024-003 Significant Deficiency over Procurement

Criteria: All entities under the program must follow the procurement standards in 2 CFR sections 200.318 through 200.327, including ensuring that the procurement method used for the contracts are appropriate based on the dollar amount and conditions specified in 2 CFR section 200.320.

Condition: We noted the County did not originally follow the procurement standards for their procurement of radio read water meters and installations. The County solicited price quotes for this contract. However, based on the amount of the contract, the County should have solicited a formal bid.

Current Status: Corrected.

2024-004 Material Weakness over Reporting

Criteria: The recipients of Public School Building Capital Funds are required to submit a brief final report using the categories of expenditures listed in the grant application within 60 days of completion of the project.

Condition: We noted that the final reports for the Gates County Schools Security Modernization Project - HS & Middle School and the Gates County Schools Security Modernization Project - All Schools were not submitted.

Current Status: Corrected.

GATES COUNTY
NORTH CAROLINA

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MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2025

2025-001 Material Weakness over Water Fund Inventory

Contact Person Responsible for the Corrective Action Plan: William Roberson, Financial Services Director

Corrective Action Plan: We have reviewed the audit entries and all adjustments have been recorded in the County's general ledger. Additionally, we will perform two-person verification for bulk entries and activate system alerts for significant quantity changes.

Anticipated Completion Date: July 31, 2025