

**GATES COUNTY, NORTH CAROLINA**

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE,  
THE STATE SINGLE AUDIT IMPLEMENTATION ACT, AND  
*GOVERNMENT AUDITING STANDARDS***

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

# GATES COUNTY, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2020

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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To the Board of Commissioners  
Gates County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **Gates County, North Carolina** (the "County") as of and for the year ended June 30, 2020, 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 26, 2021. Our report includes a reference to other auditors who audited the financial statements of the Gates County ABC Board, as described in our report on the County's financial statements. The financial statements of the Gates County ABC Board were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Gates County ABC Board or that are reported on separately by those auditors who audited the financial statements of the Gates County ABC Board.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting ("internal control") 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 did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, which we consider to be a material weakness.

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**Compliance and Other Matters**

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

**Gates County, North Carolina's Response to the Finding**

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

**Purpose of this Report**

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



Columbia, South Carolina  
January 26, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

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

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

We have audited **Gates County, North Carolina's** (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2020. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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**Report on the Schedule of Expenditures of Federal and State Awards Required by Uniform Guidance**

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 as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated January 26, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Uniform Guidance and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Mauldin & Jenkins, LLC*

Columbia, South Carolina

March 2, 2021, except for our report on the schedule of expenditures of federal and state awards, for which the date is January 26, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS IN ACCORDANCE WITH  
APPLICABLE SECTIONS OF THE UNIFORM GUIDANCE AND THE  
STATE SINGLE AUDIT IMPLEMENTATION ACT**

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

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

We have audited **Gates County, North Carolina's** (the "County") compliance with the types of compliance requirements described in the *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, 2020. The County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



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**Opinion on Each Major State Program**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

**Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

**Report on the Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State Single Audit Implementation Act**

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 as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated January 26, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Mauldin & Jenkins, LLC*

Columbia, South Carolina

March 2, 2021, except for our report on the schedule of expenditures of federal and state awards, for which the date is January 26, 2021

# GATES COUNTY, NORTH CAROLINA

## SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2020

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Expenditures	
			Federal	State
<b>Federal Awards:</b>				
<b>U.S. Department of Agriculture</b>				
Passed through North Carolina Department of Health and Human Services				
Supplemental Nutrition Assistance Program:				
SNAP Administration	10.561	WCA375	\$ 187,661	\$ -
Supplemental Nutrition Assistance Program Cluster			187,661	-
<b>Total U.S. Department of Agriculture</b>			<b>187,661</b>	<b>-</b>
<b>U.S. Department of Transportation:</b>				
Passed through North Carolina Department of Transportation				
<b>Transit Services Cluster:</b>				
Federal Transit - EDTAP Operating	20.513	20-ED-067	17,034	-
Total Transit Services Cluster			17,034	-
<b>Federal Transit Cluster:</b>				
Formula Grants for Rural Areas	20.507	20-CT-067	87,528	5,470
COVID-19 - Coronavirus Aid, Relief and Economic Security (CARES ACT) Program	20.507	20-CA-067	55,797	-
Federal Transit - Capital	20.526	20-39-067R	101,520	12,689
Total Federal Transit Cluster			244,845	18,159
<b>Total U.S. Department of Transportation</b>			<b>261,879</b>	<b>18,159</b>
<b>U.S. Department of Homeland Security</b>				
Passed through North Carolina Department of Crime Control and Public Safety				
Emergency Management Performance Grant	97.042	EMA-2020-EP-00016	12,695	-
Emergency Management Performance Grant	97.042	EMA-2018-EP-00002-S01	17,124	-
Emergency Management Performance Grant	97.042	EMA-2018-EP-00007-S01	20,625	-
Total U.S. Department of Homeland Security			50,444	-
<b>U.S. Department of Health and Human Services</b>				
Passed through North Carolina Department of Health and Human Services				
<b>Child Care Development Cluster:</b>				
Child Care Development Fund - Administration	93.596	WCA375	53,667	-
Total Child Care Development Cluster			53,667	-
<b>Temporary Assistance for Needy Families:</b>				
TANF - Work First Administration	93.558	WCA375	26,148	-
TANF - Work First Service	93.558	WCA375	74,033	-
Total Temporary Assistance for Needy Families Cluster			100,181	-
<b>Foster Care Program:</b>				
Foster Care Title IV-E	93.658	WCA375	373	-
Total Foster Care			373	-
<b>Medicaid:</b>				
Adult Care Home Case Management	93.778	WCA375	6,926	321
State County Special Assistance	93.778	WCA375	19,917	-
Medical Assistance - Administration	93.778	WCA375	383,998	-
Medical Transportation Services	93.778	WCA375	38,431	-
Total Medicaid Cluster			449,272	321
<b>Social Services Block Grant:</b>				
Social Services Block Grant	93.667	WCA375	33,440	-
Social Services Block Grant - Family Planning	93.667	WCA375	76	-
Social Services Block Grant - Other Services	93.667	WCA375	49,432	-
Total Social Services Block Grant			82,948	-
<b>Low-Income Home Energy Assistance Program:</b>				
Crisis Intervention Payments	93.568	WCA375	18,477	-
Low-Income Energy Administration	93.568	WCA375	58,677	-
Low-Income Energy Assistance	93.568	WCA375	8,280	-
Total Low-Income Home Energy Assistance Grant			85,434	-
<b>Permanency Planning - Service &amp; Admin</b>				
Total Permanency Planning	93.645	WCA375	378	-
			378	-
<b>Child Support Enforcement Program:</b>				
IV-D Administration	93.563	WCA375	153,966	-
Total Child Support Enforcement Grant			153,966	-

*Continued*

# GATES COUNTY, NORTH CAROLINA

## SCHEDULE OF EXPENDITURE OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2020

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Expenditures	
			Federal	State
<b>Federal Awards (Continued):</b>				
<b>U.S. Department of Health and Human Services (Continued)</b>				
<b>Children's Health Insurance Program (CHIP):</b>				
North Carolina Health Choice	93.767	WCA375	\$ 19,818	\$ -
Total Child Support Enforcement Grant			19,818	-
<b>Total U.S. Department of Health and Human Services</b>			<b>946,037</b>	<b>321</b>
<b>U.S. Department of Housing and Urban Development</b>				
Passed through North Carolina Housing Finance Agency				
Essential Single-Family Rehabilitation Loan Pool (ESFRLP-16)	14.239	M15-SG370100	37,745	-
Essential Single-Family Rehabilitation Loan Pool - Disaster Recovery Funding (ESFRLP-DR)	14.239	M15-SG370100	42,450	-
<b>Total U.S. Department of Housing and Urban Development</b>			<b>80,195</b>	<b>-</b>
<b>U.S. Department of Treasury</b>				
Passed through North Carolina Pandemic Recovery Office				
COVID-19 - Coronavirus Relief Funds (CARES Act)	21.019	02-37	207,445	-
<b>Total U.S. Department of Treasury</b>			<b>207,445</b>	<b>-</b>
<b>TOTAL FEDERAL AWARDS</b>			<b>1,733,661</b>	<b>18,480</b>
<b>State Awards:</b>				
<b>North Carolina Department of Health and Human Services:</b>				
<u>Division of Social Services:</u>				
State Child Welfare/CPS/CS LD			-	-
Total Division of Social Services			-	-
<b>Total North Carolina Department of Health and Human Services</b>			<b>-</b>	<b>-</b>
<b>North Carolina Department of Transportation:</b>				
<u>Rural Operating Assistance Program</u>				
Elderly and Disabled Transportation Assistance Program			-	58,452
ROAP Employment/Work First			-	5,627
Rural General Public Program			-	57,092
Total Rural Operating Assistance Program			-	121,171
<b>Total North Carolina Department of Transportation</b>			<b>-</b>	<b>121,171</b>
<b>North Carolina Department of Public Safety</b>				
Criminal Justice Partnership		737-10497	-	35,791
Genesis - JCPC Tutoring/Academic Enhancement		737-10132	-	34,294
<b>Total North Carolina Department of Public Safety</b>			<b>-</b>	<b>70,085</b>
<b>North Carolina Department of Public Instruction:</b>				
Public School Capital Building Fund - Needs Based Grant			-	309,968
<b>Total North Carolina Department of Public Instruction</b>			<b>-</b>	<b>309,968</b>
<b>Local Emergency Planning Program</b>				
Local Emergency Planning Committee (LEPC)		TIER II-2018	-	1,000
<b>Total Local Emergency Planning Program</b>			<b>-</b>	<b>1,000</b>
<b>North Carolina Department of Agriculture &amp; Consumer Services</b>				
Soil & Water Conservation		17-175-4011	-	7,770
Surry Nuclear Power Plant			-	700
Scrap Tire Disposal			-	16,446
<b>Total North Carolina Department of Agriculture &amp; Consumer Services</b>			<b>-</b>	<b>24,916</b>
<b>TOTAL STATE AWARDS</b>			<b>-</b>	<b>527,140</b>
<b>TOTAL FEDERAL AND STATE AWARDS</b>			<b>\$ 1,733,661</b>	<b>\$ 545,620</b>

# GATES COUNTY, NORTH CAROLINA

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2020

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### NOTE 1. BASIS OF PRESENTATION AND ACCOUNTING

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

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

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

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

**GATES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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**SECTION I**  
**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

Internal control over financial reporting:  
 Material weaknesses identified?  yes  no

Significant deficiencies identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:  
 Material weaknesses identified:  yes  no

Significant deficiencies identified:  yes  none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  yes  no

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medicaid Cluster
10.561	Supplemental Nutrition Assistance Program Cluster
21.019	Coronavirus Relief Funds

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

Auditee qualified as low-risk auditee? No

**GATES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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**SECTION I**  
**SUMMARY OF AUDITOR'S RESULTS (Continued)**

**State Awards**

Internal control over major state programs:

Material weaknesses identified: \_\_\_\_\_ yes  X  no

Significant deficiencies identified: \_\_\_\_\_ yes  X  none reported

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

Any audit findings disclosed that are require to be reported  
In accordance with the State Single Audit Implementation Act? \_\_\_\_\_ yes  X  no

Identification of major state program:

Program Name \_\_\_\_\_

Medicaid Cluster

Public School Building Capital Fund

**GATES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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

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

**Criteria:** Internal controls should be in place to ensure that financial statements properly present the financial position and results of the County in accordance with generally accepted accounting principles. With regard to capital assets, the Water Fund of the County is an enterprise fund and thus capital assets should be accounted for on the accrual basis of accounting which includes properly capitalizing items to the statement of net position and recording annual depreciation expense on those assets, as required by generally accepted accounting principles (GAAP).

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

**Context/Cause:** During our audit for the year ended June 30, 2020, we identified several issues in the capital asset schedules provided by the County for the Water Fund, including:

- Multiple instances where depreciation expense for capital assets acquired in the current year was improperly calculated;
- The County capitalized several assets that did not meet the County's capitalization policy and thus should not have been included on the capital asset listings; and
- Capital assets that had been transferred between the Water Fund and other County departments were not properly reflected in the capital asset schedules.

**Effects:** As a result of the issues identified above, audit adjustments totaling approximately \$185,000 were necessary to properly report the Water Fund's capital asset and accumulated depreciation balances, as well as the related amounts for current year depreciation expense.

**Recommendation:** We recommend the County carefully review its capital asset activity throughout the year and perform monthly or quarterly reviews for items that need to be added to the depreciation schedule. Additionally, these monthly or quarterly reviews should include a reconciliation of the subsidiary capital asset ledger to the statement of net position for the County's Water Fund.

**Auditee's Response:** We agree with the finding and will take necessary steps in the future to ensure capital asset balances are properly reconciled and reported in accordance with GAAP.



**GATES COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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**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 YEAR ENDED JUNE 30, 2019

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### 2019-001 Equity Reconciliations

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

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

**Status:** Resolved during the fiscal year.

### 2019-002 Revenue Recognition

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

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

**Status:** Resolved during the fiscal year.

# GATES COUNTY, NORTH CAROLINA

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

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### 2019-003 General Ledger Maintenance

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

**Condition:** The County's reviews and manual adjustments were not sufficient to detect, correct, and prevent errors in the reporting of several general ledger accounts. During our audit for the year ended June 30, 2019, an adjustment was required to record the current year activity of the capital assets on a full accrual basis of accounting in the Water Fund.

**Status:** Unresolved and thus a repeat finding; see 2020-001.

# GATES COUNTY NORTH CAROLINA



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Phone (252) 357-2411  
Fax (252) 357-0073

## MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2020

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

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

**Corrective Action Plan:** We have reviewed the audit entries and all adjustments have been recorded in the County's general ledger. Additionally, we will perform periodic reconciliations of the general ledger to the subsidiary ledgers for capital assets to ensure items are being properly captured and depreciated in accordance with generally accepted accounting principles.

**Anticipated Completion Date:** June 30, 2021