

**GATES COUNTY
BOARD OF EDUCATION
Gatesville, North Carolina**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA

**List of Principal Officials
June 30, 2016**

BOARD OF EDUCATION

Glendale P. Boone, Chair	Ray Felton, Vice-Chairman	
Claire R. Whitehurst	Leslie S. Byrum	Dr. Daniel Dickerson

OFFICE OF THE SUPERINTENDENT

Dr. Phillip Barry Williams Superintendent	Rube Blanchard Finance Officer
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INDIVIDUAL SCHOOLS

Principals

Gail Hawkins Buckland Elementary School	Scott Corrente Gateville Elementary School
Jeremy Wright T. S. Cooper Elementary School	Chante Jordan Central Middle School
Tammi Ward Gates County High School	

GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA

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FINANCIAL SECTION

DONNA H. WINBORNE, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT · ELIZABETH CITY, NC · EDENTON, NC

Independent Auditor's Report

To the Board of Education
Gates County, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Gates County Board of Education, North Carolina, as of and for the year then ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Gates County Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Gates County Board of Education, North Carolina as of June 30, 2016, and the

respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, State Public School Fund, and Other Specific Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10 and the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 42 and 43, 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. I 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 obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

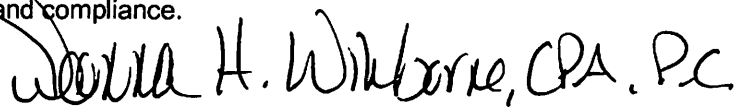
Supplementary and Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Gates County Board of Education's basic financial statements. The combining and individual non-major fund financial statements and schedules, budgetary schedules and other schedules, as well as the accompanying 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, 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 non-major fund financial statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual non-major fund financial statements, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 28, 2016 on my consideration of Gates County Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Gates County Board of Education's internal control over financial reporting and compliance.



Elizabeth City, North Carolina
October 28, 2016

Management's Discussion and Analysis

This section of the Gates County Board of Education's (*the Board*) financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2016. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Board realized an increased enrollment of 21 students (or 1.25%) from the previous year.
- The Board is working diligently with the Gates County Board of Commissioners to address the continuing repairs and renovations needed at all schools, with a concentration on Central Middle School.

Overview of the Financial Statements

The audited financial statements of the Gates County Board of Education consist of four components. They are as follows:

- *Independent Auditor's Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents combining and budgetary statements for non-major governmental funds and budgetary statements for enterprise funds*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *government-wide statements*. The government-wide statements are presented on the full accrual basis of accounting and include the statement of net position and the statement of activities. The Statement of Net Position includes all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets, deferred outflows and inflows of resources, and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statement of Activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary funds are presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, a reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as

an economic unit while the fund financial statements provide information on the financial resources of each of the Board's major funds.

Government-wide Statements

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Board's assets, deferred outflows of resources, deferred inflows of resources, and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the board's net position and how it has changed. Net position – the difference between the board's total of assets and deferred outflows of resources and the total of liabilities and deferred inflows of resources– is one way to measure the unit's financial health or position.

- Over time, increases or decreases in the Board's net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the Board's overall health, one should consider additional non-financial factors such as changes in the County's property tax base and the condition of its school buildings and other physical assets.

The unit's activities are divided into two categories in the government-wide statements:

- Governmental activities: Most of the Board's basic services are included here, such as regular and special education, transportation, and administration. County funding and State and federal aid finance most of these activities.
- Business-type activities: The Board charges fees to help it cover the costs of certain services it provides. School food service and childcare services are included here.

The government-wide statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide detailed information about the Board's funds, focusing on its most significant or "major" funds. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law, such as the State Public School Fund.
- The Board has established other funds, such as the Federal Grants fund, to control and manage money for a particular purpose or to show that it is properly using certain revenues.

Gates County Board of Education has two types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – how cash and other assets can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation following the governmental funds statements, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Other Specific Revenues Fund, and the Federal Grants Fund.

The governmental fund statements are Exhibits 3, 4, 5, and 6 of this report.

Proprietary funds: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. Gates County Board of Education has two proprietary funds – both enterprise funds – the School Food Service Fund and the Child Care Fund.

The proprietary fund statements are Exhibits 7, 8, and 9 of this report.

Financial Analysis of the Schools as a Whole

Net position is an indicator of the fiscal health of the Board. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,707,516 as of June 30, 2016. The largest component of net position is net investment in capital assets, of \$11,672,514. It comprises 120.24% of the total net position.

Following is a summary of the Statement of Net Position:

Table 1						
Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current Assets	\$ 2,014,378	\$ 1,721,119	\$ 277,239	\$ 279,263	\$ 2,291,617	\$ 2,000,382
Capital Assets	11,591,890	11,872,629	80,624	29,361	11,672,514	11,901,990
Total Assets	13,606,268	13,593,748	357,863	308,624	13,964,131	13,902,372
Deferred Outflows of Resources	963,599	1,025,519	29,801	31,717	993,400	\$ 1,057,236
Current Liabilities	1,502,937	1,368,017	41,250	58,596	1,544,187	1,426,613
Long-Term Liabilities	2,945,680	942,561	90,479	-	3,036,159	942,561
Total Liabilities	4,448,617	2,310,578	131,729	58,596	4,580,346	2,369,174
Deferred Inflows of Resources	649,578	3,335,647	20,091	103,164	669,669	3,438,811
Net Investment in Capital Assets	11,591,890	11,872,629	80,624	29,361	11,672,514	11,901,990
Restricted Net Position	200,818	212,204	-	-	200,818	212,204
Unrestricted Net Position	(2,321,036)	(3,111,791)	155,220	149,220	(2,165,816)	(2,962,571)
Total Net Position	\$ 9,471,672	\$ 8,973,042	\$ 235,844	\$ 178,581	\$ 9,707,516	\$ 9,151,623

Note that net position increased during the year, indicating an improvement in the financial condition of the Board. The increase in net position (6%) was largely because of a decrease in the unrestricted net position. Also note that the Board carries capital assets for which Gates County carries the offsetting debt.

The following table shows the revenues and expenses for the Board for the current fiscal year.

Table 2						
Condensed Statement of Revenues, Expenses, and Changes in Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$ 395,482	\$ 457,260	\$ 460,517	\$ 426,343	\$ 855,999	\$ 883,603
Operating grants and contributions	12,020,501	12,180,898	726,840	674,800	12,747,341	12,855,698
Capital grants and contributions	-	3,800	-	-	-	3,800
<i>General Revenues:</i>						
Other revenues	5,804,679	5,800,220	11,159	22	5,815,838	5,800,242
Total Revenues	18,220,662	18,442,178	1,198,516	1,101,165	19,419,178	19,543,343
Expenses:						
<i>Governmental activities:</i>						
Instructional services	12,115,598	12,867,254	-	-	12,115,598	12,867,254
System-wide support services	4,769,380	4,740,516	-	-	4,769,380	4,740,516
Ancillary services	265,132	245,176	-	-	265,132	245,176
Non-programmed charges	1,301	(1,283)	-	-	1,301	(1,283)
Depreciation	465,369	521,846	-	-	465,369	521,846
<i>Business-type activities:</i>						
Food service	-	-	1,028,308	1,010,794	1,028,308	1,010,794
Child Care	-	-	218,197	199,257	218,197	199,257
Total Expenses	17,616,780	18,373,509	1,246,505	1,210,051	18,863,285	19,583,560
Transfers in (out)	(105,252)	(66,836)	105,252	66,836	-	-
Increase (decrease) in net position	498,630	1,833	57,263	(42,050)	555,893	(40,217)
Net position, beginning	8,973,042	8,971,209	178,581	220,631	9,151,623	9,191,840
Net position, ending	\$ 9,471,672	\$ 8,973,042	\$ 235,844	\$ 178,581	\$ 9,707,516	\$ 9,151,623

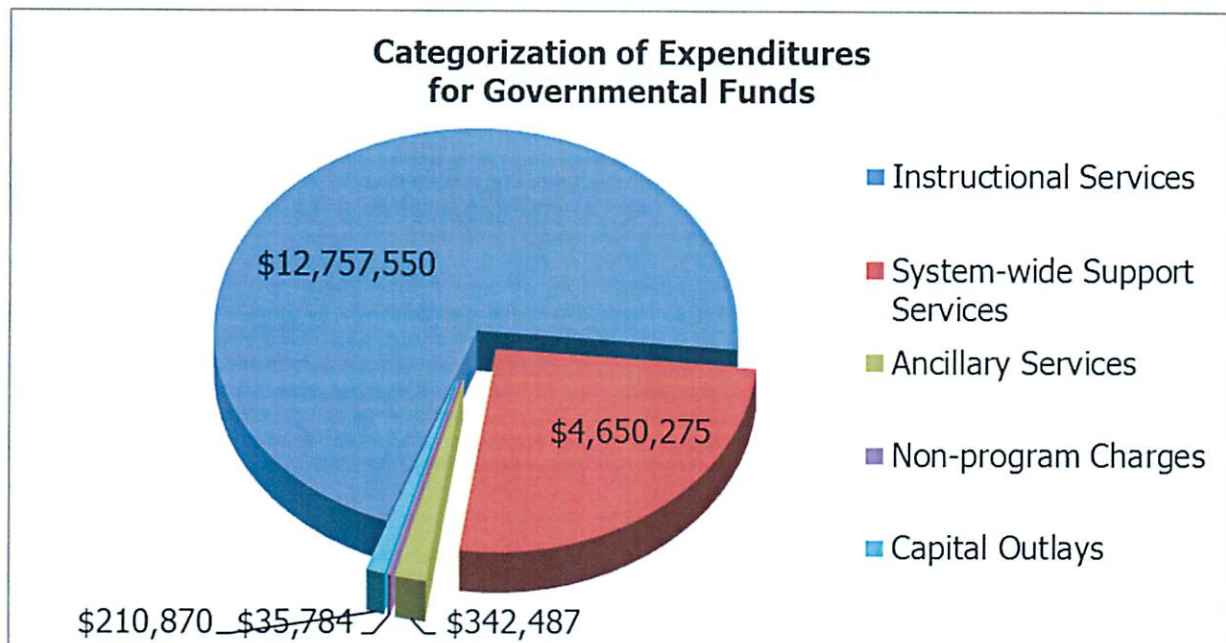
Total governmental activities generated revenues of \$18.2 million while expenses in this category totaled \$17.6 million for the year ended June 30, 2016. Comparatively, revenues were \$18.4 million and expenses totaled \$18.3 million for the year ended June 30, 2015. After transfers to the business-type activities, the increase in net position stands at \$498,630 at June 30, 2016, compared to an increase of \$1,833 in 2015. Instructional services expenses comprised 68.8% of total governmental-type expenses while system-wide support services made up 27% of those expenses for 2016. County funding comprised 17.4% of total governmental revenue for 2016. In 2015, county funding was 17%. Much of the remaining 82.6% of total governmental revenue for 2016 consists of restricted State and federal money. This revenue represented 83% of total revenue in 2015. Business-type activities generated revenue of \$1,198,516 and expenses of \$1,246,505. Net position increased in the business-type activities by \$57,263, after transfers from the governmental activities of \$105,252.

Financial Analysis of the Board's Funds

Governmental Funds: The focus of Gates County Board of Education's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements.

The Board's governmental funds reported a combined fund balance of \$1,467,463, a \$153,514 increase over last year. All of the Board's governmental funds, except for the Capital Outlay Fund, had revenues and other financing sources that exceeded expenditures and other uses. Two sources of funding increased over the prior year: State funding increased \$185,137 and county funding increased \$25,756. Expenditures decreased by \$492,850 over the prior year.

Proprietary Funds: The Board's business-type School Food Service Fund reflected an increase in net position over last year of \$58,998. This increase was due primarily to an increase in federal reimbursements. The Child Care Fund reflected a decrease in net position over last year, of \$1,735. This was primarily due to an increase in salaries and benefits for the current year.



Expenditures presented on the modified accrual basis of accounting

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and to increase appropriations in light of bonuses approved by the state. The Board ended the year with a surplus of \$46,641. Reductions in estimated revenues and corresponding decreases in appropriations totaled \$2,495 in the General Fund.

Capital Assets

Capital assets decreased by \$229,476 (or 1.95%) from the previous year. This was largely due to an increase of depreciation recorded on the buildings. The following is a summary of the capital assets, net of depreciation at year-end.

Table 3							
Summary of Capital Assets							
	Governmental Activities		Business-type Activities		Total Primary Government		
	2016	2015	2016	2015	2016	2015	
Land	\$ 65,470	\$ 53,670	\$ -	\$ -	\$ 65,470	\$ 53,670	
Buildings	10,785,139	11,139,565	-	-	10,785,139	11,139,565	
Furniture and equipment	215,670	155,470	80,624	29,361	296,294	184,831	
Vehicles and motorized equipment	525,611	523,924	-	-	525,611	523,924	
Total	\$ 11,591,890	\$ 11,872,629	\$ 80,624	\$ 29,361	\$ 11,672,514	\$ 11,901,990	

Debt Outstanding

During the year the Board's outstanding debt decreased by \$59,394 due mainly to the payment towards the installment financing paying for school buses. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction.

Economic Factors

County funding is a major source of income for the Board; therefore the County's economic outlook directly affects that of the schools. The following factors have negatively affected the economic outlook of Gates County.

- The County has an unemployment rate of 5.2%, higher than the state average of 4.9%.

Requests for Information

This report is intended to provide a summary of the financial condition of Gates County Board of Education. Questions or requests for additional information should be addressed to:

Rube F. Blanchard, Finance Officer
Gates County Board of Education
205 Main Street
Gatesville, NC 27938

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

Gates County Board of Education, North Carolina
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,659,307	\$ 215,752	\$ 1,875,059
Due from other governments	349,420	24,062	373,482
Accounts receivable	2,665	8,084	10,749
Internal balances	2,986	(2,986)	-
Inventories	-	32,327	32,327
Capital assets			
Land and construction in progress	65,470	-	65,470
Other capital assets, net of depreciation	11,526,420	80,624	11,607,044
Total capital assets	11,591,890	80,624	11,672,514
Total assets	13,606,268	357,863	13,964,131
DEFERRED OUTFLOWS OF RESOURCES	963,599	29,801	993,400
LIABILITIES			
Accounts payable and accrued expenses	\$ 198,699	\$ 168	\$ 198,867
Accrued salaries and wages payable	348,216	-	348,216
Unearned revenues	-	1,257	1,257
Long term liabilities			
Net pension liability	2,925,487	90,479	3,015,966
Due within one year	956,022	39,825	995,847
Due in more than one year	20,193	-	20,193
Total liabilities	4,448,617	131,729	4,580,346
DEFERRED INFLOWS OF RESOURCES	649,578	20,091	669,669
NET POSITION			
Net investment in capital assets	11,591,890	80,624	11,672,514
Restricted for:			
Individual schools	177,737	-	177,737
Stabilization by state statute	6,857	-	6,857
School capital outlay	16,224	-	16,224
Unrestricted	(2,321,036)	155,220	(2,165,816)
Total net position	\$ 9,471,672	\$ 235,844	\$ 9,707,516

The notes to the financial statements are an integral part of this statement.

Gates County Board of Education, North Carolina
Statement of Activities
For the Year Ended June 30, 2016

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 7,092,081	\$ 56,665	\$ 6,164,730	\$ -	\$ (870,686)	\$ -	\$ (870,686)
Special populations	1,476,728	-	1,381,382	-	(95,346)	-	(95,346)
Alternative programs	804,563	-	798,860	-	(5,703)	-	(5,703)
School leadership	953,618	-	520,013	-	(433,605)	-	(433,605)
Co-curricular	84,675	-	-	-	(84,675)	-	(84,675)
School-based support	1,703,933	332,813	922,754	-	(448,366)	-	(448,366)
System-wide support services:							
Support and development	332,436	-	107,879	-	(224,557)	-	(224,557)
Special populations support and development	128,954	-	96,403	-	(32,551)	-	(32,551)
Alternative programs and services support and development	810	-	810	-	-	-	-
Technology support	138,581	-	59,059	-	(79,522)	-	(79,522)
Operational support	2,922,569	6,004	1,100,735	-	(1,815,830)	-	(1,815,830)
Financial and human resources	610,069	-	223,880	-	(386,189)	-	(386,189)
Accountability	113,118	-	83,091	-	(30,027)	-	(30,027)
System-wide pupil support	99,834	-	983	-	(98,851)	-	(98,851)
Policy, leadership, and public relations	423,009	-	143,500	-	(279,509)	-	(279,509)
Ancillary services	265,132	-	368,358	-	103,226	-	103,226
Non-programmed charges	1,301	-	48,064	-	46,763	-	46,763
Unallocated depreciation expense	465,369	-	-	-	(465,369)	-	(465,369)
Total governmental activities	17,616,780	395,482	12,020,501	-	(5,200,797)	-	(5,200,797)
Business-type activities:							
School food service	1,028,308	255,198	726,840	-	-	(46,270)	(46,270)
Child care	218,197	205,319	-	-	-	(12,878)	(12,878)
Total business-type activities	1,246,505	460,517	726,840	-	-	(59,148)	(59,148)
Total primary government	\$ 18,863,285	\$ 855,999	\$ 12,747,341	\$ -	(5,200,797)	(59,148)	(5,259,945)
General revenues:							
Unrestricted county appropriations - operating					2,708,000	-	2,708,000
Unrestricted county appropriations - capital					200,000	-	200,000
Unrestricted State appropriations - operating					2,743,008	-	2,743,008
Unrestricted State appropriations - capital					59,394	-	59,394
Investment earnings, unrestricted					1,628	16	1,644
Miscellaneous, unrestricted					92,649	11,143	103,792
Transfers					(105,252)	105,252	-
Total general revenues and transfers					5,699,427	116,411	5,756,444
Change in net position					498,630	57,263	555,893
Net position, beginning					8,973,042	178,581	9,151,623
Net position - ending					\$ 9,471,672	\$ 235,844	\$ 9,707,516

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

Gates County Board of Education, North Carolina
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds			Non-major Funds	
	General	State Public School	Other Specific Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,259,788	\$ -	\$ 205,558	\$ 193,961	\$ 1,659,307
Accounts receivable	-	-	2,665	-	2,665
Due from other funds	5,560	-	-	-	5,560
Due from other governments	1,297	317,386	5,481	25,256	349,420
Total assets	<u>\$ 1,266,645</u>	<u>\$ 317,386</u>	<u>\$ 213,704</u>	<u>\$ 219,217</u>	<u>\$ 2,016,952</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities:					
Accounts payable and accrued expenses	\$ 198,699	\$ -	\$ -	\$ -	\$ 198,699
Accrued salaries and wages payable	53	317,386	5,521	25,256	348,216
Due to other funds	-	-	2,574	-	2,574
Total liabilities	<u>198,752</u>	<u>317,386</u>	<u>8,095</u>	<u>25,256</u>	<u>549,489</u>
Deferred inflows of resources:	-	-	-	-	-
Fund balances:					
Restricted:					
Individual Schools	-	-	-	177,737	177,737
Stabilization by State Statute	6,857	-	8,146	-	15,003
School Capital Outlay	-	-	-	16,224	16,224
North Carolina Pre-Kindergarten	-	-	20,959	-	20,959
Committed:	-	-	56,310	-	56,310
Assigned:					
Subsequent years expenditures	-	-	120,194	-	120,194
Unassigned:	1,061,036	-	-	-	1,061,036
Total fund balances	<u>1,067,893</u>	<u>-</u>	<u>205,609</u>	<u>193,961</u>	<u>1,467,463</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,266,645</u>	<u>\$ 317,386</u>	<u>\$ 213,704</u>	<u>\$ 219,217</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.	11,591,890
Deferred outflows of resources related to pensions	963,599
Some liabilities, including bonds payable and accrued interest, are not due in the current period and therefore are not reported in the funds (Note 4).	(976,215)
Net pension liability	(2,925,487)
Deferred inflows of resources related to pensions	(649,578)
Net position of governmental activities	<u>\$ 9,471,672</u>

Gates County Board of Education, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds			Non-major Funds	
	General	Other Specific Revenue	State Public School	Other Governmental Funds	Total Governmental Funds
REVENUES					
State of North Carolina	\$ -	\$ 315,256	\$ 13,044,507	\$ 59,394	\$ 13,419,157
Gates County	2,708,000	262,756	-	200,000	3,170,756
U. S. Government	-	71,403	-	923,233	994,636
Contributions and donations	-	-	-	50,980	50,980
Other	55,505	229,251	-	334,860	619,616
Total revenues	<u>2,763,505</u>	<u>878,666</u>	<u>13,044,507</u>	<u>1,568,467</u>	<u>18,255,145</u>
EXPENDITURES					
Current:					
Instructional services					
Regular instructional	31,837	100,860	7,336,961	58,764	7,528,422
Special populations	12,116	31,317	1,156,599	324,704	1,524,736
Alternative programs	4,268	165,169	310,470	362,155	842,062
School leadership	35,234	11,806	958,646	-	1,005,686
Co-curricular	91,090	-	-	-	91,090
School-based support	52,009	146,391	1,160,431	406,723	1,765,554
System-wide support services					
Support and development	175,102	10,978	151,776	-	337,856
Special populations support and development	35,861	2,452	96,254	149	134,716
Alternative programs and services support and development	-	-	-	810	810
Technology support	78,478	1,045	16,042	43,017	138,582
Operational support	1,668,432	9,531	1,081,105	8,328	2,767,396
Financial and human resources	172,938	3,648	430,358	24,145	631,089
Accountability	14,230	1,045	97,842	-	113,117
System-wide pupil support	101,165	1,164	-	-	102,329
Policy, leadership, and public relations	221,132	-	203,248	-	424,380
Ancillary services	8,802	273,704	-	59,981	342,487
Non-programmed charges	2,370	-	(496)	33,910	35,784
Capital outlay:					
Real property and buildings	11,800	-	-	184,070	195,870
Vehicles	-	-	-	15,000	15,000
Debt service:					
Principal	-	-	-	59,394	59,394
Total expenditures	<u>2,716,864</u>	<u>759,110</u>	<u>12,999,236</u>	<u>1,581,150</u>	<u>18,056,360</u>
Excess (deficiency) of revenues over expenditures	<u>46,641</u>	<u>119,556</u>	<u>45,271</u>	<u>(12,683)</u>	<u>198,785</u>
OTHER FINANCING SOURCES (USES)					
Transfers to other funds	-	-	(45,271)	-	(45,271)
Total other financing sources (uses)	-	-	(45,271)	-	(45,271)
Net change in fund balance	46,641	119,556	-	(12,683)	153,514
Fund balances, beginning	1,021,252	86,053	-	206,644	1,313,949
Fund balances, ending	<u>\$ 1,067,893</u>	<u>\$ 205,609</u>	<u>\$ -</u>	<u>\$ 193,961</u>	<u>\$ 1,467,463</u>

The notes to the financial statements are an integral part of this statement.

Gates County Board of Education, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

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

Net changes in fund balances - total governmental funds	\$ 153,514
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 a depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(361,518)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	922,102
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 has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amount is the net effect of these differences in the treatment of long-term debt and related items.	59,394
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.	
Pension expense	(299,882)
Compensated absences	25,020
Total changes in net position of governmental activities	<u>\$ 498,630</u>

The notes to the financial statements are an integral part of this statement.

Gates County Board of Education, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Fund
For the Year Ended June 30, 2016

	General Fund			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Gates County	\$ 2,708,000	\$ 2,708,000	\$ 2,708,000	\$ -
Other	58,000	55,505	55,505	-
Total revenues	<u>2,766,000</u>	<u>2,763,505</u>	<u>2,763,505</u>	<u>-</u>
EXPENDITURES				
Current:				
Instructional services				
Regular instructional	44,263	33,640	31,837	1,803
Special populations	10,942	12,144	12,116	28
Alternative programs	-	4,268	4,268	-
School leadership	8,943	35,234	35,234	-
Co-curricular	98,679	91,090	91,090	-
School-based support	29,935	52,009	52,009	-
System-wide support services				
Support and development	199,306	175,576	175,102	474
Special populations support and development	-	35,861	35,861	-
Technology support	78,386	78,478	78,478	-
Operational support	1,789,789	1,708,273	1,668,432	39,841
Financial and human resources	232,255	173,634	172,938	696
Accountability	-	14,230	14,230	-
System-wide pupil support	101,509	101,165	101,165	-
Policy, leadership, and public relations	163,093	224,931	221,132	3,799
Ancillary services	8,900	8,802	8,802	-
Non-programmed charges	-	2,370	2,370	-
Capital Outlay	-	11,800	11,800	-
Total expenditures	<u>2,766,000</u>	<u>2,763,505</u>	<u>2,716,864</u>	<u>46,641</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>46,641</u>	<u>(46,641)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	46,641	<u>\$ (46,641)</u>
Fund balance, beginning			1,021,252	
Fund balance, ending			<u>\$ 1,067,893</u>	

The notes to the financial statements are an integral part of this statement.

Gates County Board of Education, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Fund
For the Year Ended June 30, 2016

	State Public School Fund			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
State of North Carolina	\$ 12,543,383	\$ 13,251,250	\$ 13,044,507	\$ (206,743)
EXPENDITURES				
Current:				
Instructional services				
Regular instructional	7,040,882	7,463,138	7,336,961	126,177
Special populations	981,935	1,160,380	1,156,599	3,781
Alternative programs	377,800	346,147	310,470	35,677
School leadership	1,006,073	982,487	958,646	23,841
School-based support	1,244,998	1,177,698	1,160,431	17,267
System-wide support services				
Support and development	107,709	151,776	151,776	-
Special populations support and development	121,994	96,254	96,254	-
Technology support	-	16,042	16,042	-
Operational support	950,044	1,081,105	1,081,105	-
Financial and human resources	359,949	430,358	430,358	-
Accountability	106,813	97,842	97,842	-
Policy, leadership, and public relations	199,943	203,248	203,248	-
Ancillary services	45,243	45,271	-	45,271
Non-programmed charges	-	(496)	(496)	-
Total expenditures	<u>12,543,383</u>	<u>13,251,250</u>	<u>12,999,236</u>	<u>252,014</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>45,271</u>	<u>45,271</u>
Other financing sources (uses)				
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(45,271)</u>	<u>(45,271)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning			-	
Fund balance, ending			<u>\$ -</u>	

The notes to the financial statements are an integral part of this statement.

Gates County Board of Education, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Fund
For the Year Ended June 30, 2016

	Other Specific Revenue Fund			Variance with
	Original	Final	Actual	Final Budget-
	Budget	Budget		Positive
				(Negative)
REVENUES				
State of North Carolina	\$ 272,331	\$ 305,026	\$ 315,256	\$ 10,230
U.S. Government	20,000	71,312	71,403	91
Gates County Community Center appropriation	237,000	237,000	262,756	25,756
Other	290,649	230,618	229,251	(1,367)
Total revenues	<u>819,980</u>	<u>843,956</u>	<u>878,666</u>	<u>34,710</u>
EXPENDITURES				
Current:				
Instructional services				
Regular instructional	83,036	100,860	100,860	-
Special populations	34,672	31,317	31,317	-
Alternative programs	168,179	166,628	165,169	1,459
School leadership	35,784	11,806	11,806	-
School-based support	134,004	146,391	146,391	-
System-wide support services				-
Support and development	12,297	10,978	10,978	-
Special populations support				
and development	2,591	2,452	2,452	-
Technology support	2,584	1,045	1,045	-
Operational support	10,153	9,531	9,531	-
Financial and human resources	16,863	15,593	3,648	11,945
Accountability	1,045	1,045	1,045	-
System-wide pupil support	10,808	63,831	1,164	62,667
Policy, leadership, and public relations	36,529	-	-	-
Ancillary services	271,435	282,479	273,704	8,775
Total expenditures	<u>819,980</u>	<u>843,956</u>	<u>759,110</u>	<u>84,846</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>119,556</u>	<u>(119,556)</u>
Revenues and other sources over (under)				
expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	119,556	<u>\$ (119,556)</u>
Fund balance, beginning			86,053	
Fund balance, ending			<u>\$ 205,609</u>	

The notes to the financial statements are an integral part of this statement.

Gates County Board of Education, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2016

	Enterprise Funds		
	Major Funds		
	School Food Service	Child Care	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 200,123	\$ 15,629	\$ 215,752
Due from other governments	20,526	3,536	24,062
Accounts receivable (Net of allowance of \$1,500)	4,804	3,280	8,084
Inventories	32,327	-	32,327
Total current assets	<u>257,780</u>	<u>22,445</u>	<u>280,225</u>
Noncurrent assets:			
Capital assets:			
Food service equipment, net	80,624	-	80,624
Total noncurrent assets	<u>80,624</u>	<u>-</u>	<u>80,624</u>
Total assets	<u>338,404</u>	<u>22,445</u>	<u>360,849</u>
DEFERRED OUTLOWS OF RESOURCES	<u>29,801</u>	<u>-</u>	<u>29,801</u>
LIABILITIES			
Current liabilities:			
Accounts payable	168	-	168
Due to other funds	-	2,986	2,986
Compensated absences	31,151	8,674	39,825
Unearned revenues	-	1,257	1,257
Total current liabilities	<u>31,319</u>	<u>12,917</u>	<u>44,236</u>
Noncurrent liabilities:			
Net pension liability	90,479	-	90,479
Total noncurrent liabilities	<u>90,479</u>	<u>-</u>	<u>90,479</u>
DEFERRED INFLOWS OF RESOURCES	<u>20,091</u>	<u>-</u>	<u>20,091</u>
NET POSITION			
Net investment in capital assets	80,624	-	80,624
Unrestricted	145,692	9,528	155,220
Total net position	<u>\$ 226,316</u>	<u>\$ 9,528</u>	<u>\$ 235,844</u>

The notes to the financial statements are an integral part of this statement.

Gates County Board of Education, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Funds		
	Major Funds		
	School Food Service	Child Care	Total
OPERATING REVENUES			
Food sales	\$ 255,198	\$ -	\$ 255,198
Child care fees	-	205,319	205,319
Other	-	11,143	11,143
Total operating revenues	<u>255,198</u>	<u>216,462</u>	<u>471,660</u>
OPERATING EXPENSES			
Food cost:			
Purchase of food	287,013	16,791	303,804
Donated commodities	49,144	-	49,144
Salaries and benefits	528,014	186,784	714,798
Indirect costs	96,366	-	96,366
Materials and supplies	34,714	6,143	40,857
Depreciation	8,718	-	8,718
Contracted services	13,278	1,413	14,691
Travel	1,075	121	1,196
Bad debt expense	-	6,478	6,478
Other	9,986	467	10,453
Total operating expenses	<u>1,028,308</u>	<u>218,197</u>	<u>1,246,505</u>
Operating loss	<u>(773,110)</u>	<u>(1,735)</u>	<u>(774,845)</u>
NONOPERATING REVENUES			
Federal reimbursements	581,330	-	581,330
Federal commodities	49,144	-	49,144
Interest earned	16	-	16
Indirect cost not paid	96,366	-	96,366
Total nonoperating revenues	<u>726,856</u>	<u>-</u>	<u>726,856</u>
Loss before contributions and transfers	<u>(46,254)</u>	<u>(1,735)</u>	<u>(47,989)</u>
OTHER FINANCING SOURCES			
Transfer from other funds	45,271	-	45,271
Capital contribution	59,981	-	59,981
Total other financing sources	<u>105,252</u>	<u>-</u>	<u>105,252</u>
Change in net position	58,998	(1,735)	57,263
Total net position, beginning	<u>167,318</u>	<u>11,263</u>	<u>178,581</u>
Total net position - ending	<u>\$ 226,316</u>	<u>\$ 9,528</u>	<u>\$ 235,844</u>

The notes to the financial statements are an integral part of this statement.

Gates County Board of Education, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Funds		
	Major Funds		
	School Food Service	Child Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 254,834	\$ 218,674	\$ 473,508
Cash paid for goods and services	(380,258)	(24,935)	(405,193)
Cash paid to employees for services	(480,862)	(178,110)	(658,972)
Net cash provided (used) by operating activities	(606,286)	15,629	(590,657)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal reimbursements	580,338	-	580,338
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	16	-	16
Net increase (decrease) in cash and cash equivalents	(25,932)	15,629	(10,303)
Balances - beginning of year	226,055	-	226,055
Balances - end of year	\$ 200,123	\$ 15,629	\$ 215,752
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (773,110)	\$ (1,735)	\$ (774,845)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	8,718	-	8,718
Bad debt expense	-	6,478	6,478
Donated commodities consumed	49,144	-	49,144
Salaries paid by special revenue fund	45,271	-	45,271
Indirect cost not paid	96,366	-	96,366
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	(364)	2,039	1,675
(Increase) decrease in inventory	(14,356)	-	(14,356)
(Increase) decrease in due from other governments	-	(1,084)	(1,084)
(Increase) decrease in deferred outflows	1,916	-	1,916
Increase (decrease) in accounts payable	(594)	-	(594)
Increase (decrease) in net pension liability	61,915	-	61,915
Increase (decrease) in deferred inflows	(83,073)	-	(83,073)
Increase (decrease) in unearned revenues	-	1,257	1,257
Increase (decrease) in compensated absences	1,881	8,674	10,555
Total adjustments	166,824	17,364	184,188
Net cash provided (used) by operating activities	\$ (606,286)	\$ 15,629	\$ (590,657)

The notes to the financial statements are an integral part of this statement.

**Gates County Board of Education, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2016**

Noncash investing, capital, and financing activities:

The State Public School Fund paid salaries and benefits of \$45,271 to administrative personnel of the School Food Service Fund during the year. The payment is reflected as an operating transfer in and an operating expense on Exhibit 8.

Indirect costs of \$96,366 that would be due to the General Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 8.

The School Food Service Fund received donated commodities with a value of \$49,144 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$49,144 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 8.

NOTES TO THE FINANCIAL STATEMENTS

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies

The accounting policies of the Gates County Board of Education conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The Gates County Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Gates County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity.

B. Basis of Presentation – Fund Accounting

Government-wide Statements: The statement of net position and the statement of activities present information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Board and for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Board's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Board reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. This fund is the "Local Current Expense Fund," which is mandated by State law [G.S. 115C-426].

State Public School Fund. The State Public School Fund includes appropriations from the Department of Public Instruction for the current operating expenditures of the public school system.

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

Other Specific Revenue Fund. The Other Special Revenue Fund accounts for reimbursements, including indirect costs, fees for actual costs, tuition, sales tax refunds, gifts and grants restricted as to use, federal grants restricted as to use, federal appropriations made directly to the local school administrative units, funds received for prekindergarten programs, and special programs and appropriated fund balances.

The Board reports the following major enterprise funds:

School Food Service Fund. The School Food Service Fund is used to account for the food service program within the school system and is reported as an enterprise fund.

Child Care Fund. The Child Care Fund is used to account for the child care program within the school system and is reported as an enterprise fund.

C. Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the Individual Schools Special Revenue Funds, as required by North Carolina General Statutes. Per State law, no budget is required for Individual School Funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. The superintendent is authorized by the governing Board to transfer appropriations within a fund. The superintendent may transfer amounts and objects of expenditures within a function without limitations and without a report being required. All amendments must be approved by the governing Board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016**

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity

1. Deposit and Investments

All deposits of the Board are made in board-designated official depositories and are secured as required by State law [G.S. 115C-444]. The Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. The Board also has money credited in its name with the State Treasurer and may issue State warrants against these funds.

2. Cash and Cash Equivalents

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash and investments with original maturities of three months or less are considered cash and cash equivalents.

3. Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. The Board had no inventories in the General Fund. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

4. Capital Assets

Donated assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 2000 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. 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.

Gates County holds title to certain properties, which are reflected as capital assets in the financial statements of the Board. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board gives the schools full use of the facilities, full responsibility for maintenance of the facilities, and provides that the County will convey title of the property back to the Board, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

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

	<u>Years</u>
Building and improvements	15-50
Equipment, furniture, and vehicles	5-15

Depreciation for capital assets that serve multiple purposes cannot be allocated ratably and is therefore reported as "unallocated depreciation" on the Statement of Activities.

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

5. Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has two items that meet this criterion – a pension related deferral and contributions made to the pension plan in the current fiscal year. The statement of financial position also reports 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 a future period and so will not be recognized as revenue until then. The Board has pension related deferrals that meet this criterion.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

7. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2016 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate of the current portion of compensated absences is based on the current amount used.

The sick leave policy of the Board provides for an unlimited accumulation 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. Since the board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

8. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements is classified as invested in capital assets, net of related debt, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, or imposed by law through state statute.

Fund Balance

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Restricted fund balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 115C-425(a)].

Restricted for School Capital Outlay – portion of fund balance that can only be used for School Capital Outlay. [G.S. 159-18 through 22]

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

Restricted for Individual Schools – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fund raising activities for which they are collected.

Committed fund balance – portion of fund balance that can only be used for specific purpose imposed by majority vote by quorum of the Board of Education's governing body (highest level of decision-making authority) and in certain instances approval by the County's governing body is required. Any changes or removal of specific purposes requires majority action by the governing bodies that approved the original action.

Assigned fund balance – portion of fund balance that Gates County Board of Education intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

9. Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$8,004,209 consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 23,945,267
Less - Accumulated Depreciation	<u>(12,353,377)</u>
Net capital assets	11,591,890
 Pension related deferred outflows of resources	
Differences between contributions and proportional share of contributions and changes in proportion	41,497
Contributions made to the pension plan in current year	922,102
 Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment Purchase Obligations	(59,392)
Compensated Absences	(916,823)
Net pension liability	(2,925,487)
Deferred inflows of resources related to pensions	
Differences between expected and actual experience	(332,629)
Differences between projected and actual earnings on plan investments	<u>(316,949)</u>
Total adjustment	<u>\$ 8,004,209</u>

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$345,116 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 166,049
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(547,567)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position in the government-wide statements	59,394
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	922,102
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Pension expense	(299,882)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	25,020
	<u>\$ 345,116</u>

10. Defined Benefit Pension Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' and State Employees' Retirement System (TSERS) and additions to/deductions from TSERS' fiduciary net position have been determined on the same basis as they are reported by TSERS. For the purpose, plan member contributions are recognized in the period in which the contributions are due. The Board's employer contributions are recognized when due and the Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TSERS. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

There are no items to report.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is 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

Gates County Board of Education, North Carolina
Notes to the Financial Statements
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capacity of the Board, these deposits are considered to be held by the agent in the entity's name. 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 Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the 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 depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding custodial credit risk for deposits.

At June 30, 2016 the Board had deposits with banks with a carrying amount of \$1,875,034 and with the State Treasurer of \$-. The bank balances with the financial institutions and the State Treasurer was \$2,079,079 and \$180,066, respectively. Of these balances, \$268,593 was covered by federal depository insurance and \$1,810,486 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

At June 30, 2016, the Board had petty cash of \$25.

2. Accounts Receivable

Receivables at the government-wide level at June 30, 2016, were as follows:

	Due from other funds (internal balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ 5,560	\$ 1,297	\$ -	\$ 6,857
Other governmental	(2,574)	348,123	2,665	348,214
Total governmental activities:	<u>\$ 2,986</u>	<u>\$ 349,420</u>	<u>\$ 2,665</u>	<u>\$ 355,071</u>
Business-type activities				
School Food Service	\$ -	\$ 20,526	4,804	\$ 25,330
Child Care	(2,986)	3,536	3,280	3,830
	<u>\$ (2,986)</u>	<u>\$ 24,062</u>	<u>\$ 8,084</u>	<u>\$ 29,160</u>

Internal balances consist of cost due to the General Fund and Other Specific Revenue Fund from the Child Care Fund.

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

Due from other governments consists of the following:

Governmental activities:

State Public School Fund	\$ 317,386	Operating revenues from DPI
General Fund	1,297	Elizabeth City-Pasquotank Public Schools
Federal Grants Fund	25,256	Federal grants funds
Other Specific Revenue Fund	5,481	MAC reimbursement
Total governmental activities	<u>\$ 349,420</u>	

Business-type activities:

School Food Service Fund	\$ 20,526	USDA reimbursement
Child Care Fund	3,536	DSS fees
Total governmental activities	<u>\$ 24,062</u>	

3. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balances, Restated	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 53,670	\$ 11,800	\$ -	\$ 65,470
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>53,670</u>	<u>11,800</u>	<u>-</u>	<u>65,470</u>
Capital assets being depreciated:				
Buildings	21,647,001	67,524	604,650	21,109,875
Equipment and furniture	971,468	131,983	-	1,103,451
Vehicles	1,715,467	10,000	58,996	1,666,471
Total capital assets being depreciated	<u>24,333,936</u>	<u>209,507</u>	<u>663,646</u>	<u>23,879,797</u>
Less accumulated depreciation for:				
Buildings	10,507,436	386,692	569,392	10,324,736
Equipment and furniture	815,998	71,783	-	887,781
Vehicles	1,110,764	89,092	58,996	1,140,860
Total accumulated depreciation	<u>12,434,198</u>	<u>547,567</u>	<u>628,388</u>	<u>12,353,377</u>
Total capital assets being depreciated, net	<u>11,899,738</u>			<u>11,526,420</u>
Governmental activity capital assets, net	<u>\$ 11,953,408</u>			<u>\$ 11,591,890</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 465,369
Operational support services	82,198
Total	<u>\$ 547,567</u>

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Food service equipment	\$ 280,820	\$ 59,981	\$ 9,525	\$ 331,276
Total capital assets being depreciated	280,820	59,981	9,525	331,276
Less accumulated depreciation for:				
Food service equipment	251,459	8,718	9,525	250,652
Total accumulated depreciation	251,459	8,718	9,525	250,652
Business-type activities capital assets, net	<u>\$ 29,361</u>			<u>\$ 80,624</u>

B. Liabilities

1. Pensions Plan Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. Gates County Board of Education is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS 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 Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. 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. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% 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. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee 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 (or 10 years of creditable service for members joining TSERS on or after August 1, 2011). 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 or have completed five years of service and have reached age 60 (10 years for members joining on or after August 1, 2011). 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 post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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TSERS 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 10 years of creditable service for members joining TSERS on or after August 1, 2011), 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 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2016, was 9.15% of covered payroll, 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 Board were \$950,621 for the year ended June 30, 2016.

Refunds of Contributions – Board employees, who have terminated service as a contributing member of TSERS, 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 TSERS.

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

At June 30, 2016, the Board reported a liability of \$3,015,966 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board'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 TSERS employers, actuarially determined. At June 30, 2015 and at June 30, 2014, the Board's proportion was .082% and .081%, respectively.

For the year ended June 30, 2016, the Board recognized pension expense of \$308,040. At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 342,915
Board contributions subsequent to the measurement date	950,621	-
Net difference between projected and actual earnings on pension plan investments	-	326,754
Changes in proportion and differences between Board contributions and proportionate share of contributions	42,779	-
	<u>\$ 993,400</u>	<u>\$ 669,669</u>

\$950,621 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (378,534)
2018	(378,534)
2019	(368,281)
2020	498,457
	<u>\$ (626,892)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 9.10 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, 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, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. 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.

Sensitivity of the Board's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

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	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 9,077,225	\$ 3,015,966	\$ (2,127,712)

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

b. Other Post-Employment Benefits

1. Healthcare Benefits

Plan Description. The post retirement benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Director and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employees making contributions to the Plan.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Comprehensive Major Medical Plan (also, referred to as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Funding Policy: The Comprehensive Major Medical Plan is administered by the Executive Administrator and the Board of Trustees of the Plan, which establishes premium rates, except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2016, 2015, and 2014, the School Board paid all annual required contribution to the

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Plan for postemployment healthcare benefits of \$581,801, \$611,173, and \$561,770, respectively. These contributions represented 5.60%, 5.49%, and 5.40% of covered payroll, respectively.

2. Long-term Disability Benefits

Plan Description. Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan. The DIPNC is administered by the board of Trustees of the Teachers' and State Employees' Retirement System. Long-term disability benefits are payable as another postemployment benefit for DIPNC after the conclusion of the short term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan accumulates contributions from employees and any earnings on those contributions in the Disability Income Plan Trust Fund. The plan does not provide for automatic post-retirement benefit increases.

The State of North Carolina issues a publicly available report that includes financial statements and required supplementary information for the DIPNC. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Funding Policy. An employee is eligible to receive long-term disability benefits provide the following requirements are met: (1) the employee has five or more years of contribution membership service in the Teachers' and State Employees' Retirement System of North Carolina, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments of or permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the Retirement System; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service at any age.

The monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one twelfth of the annual longevity payment to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, and other federal agency or any payments made under the provisions of G.S. 127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which you might be entitled should you become age 62 during the first 36 months. After 36 months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and in receipt of primary Social Security disability benefits.

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135 Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separate from the number of members currently eligible to receive disability benefits as another postemployment benefit. For the fiscal years ended June 30, 2016, 2015, and 2014, the Board paid all annual required contributions to the DIPNC for disability benefits of \$42,596, \$45,643, and \$45,774, respectively. These contributions represented 0.41%, 0.41%, and 0.44%, of covered payroll, respectively.

3. Accounts Payable

Accounts payable as of June 30, 2016, are as follows:

	<u>Salaries and</u> <u>Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 53	\$ 198,699	\$ 198,752
Other governmental	348,163	-	348,163
Total governmental activities:	<u>\$ 348,216</u>	<u>\$ 198,699</u>	<u>\$ 546,915</u>
Business-type activities:			
School Food Service	\$ -	\$ 168	\$ 168
Child Care	-	-	-
Total business-type activities	<u>\$ -</u>	<u>\$ 168</u>	<u>\$ 168</u>

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

4. Deferred Inflows of Resources

The balance in deferred inflows of resources at year-end is comprised of the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 342,915
Board contributions subsequent to the measurement date	950,621	-
Net difference between projected and actual earnings on pension plan investments	-	326,754
Changes in proportion and differences between Board contributions and proportionate share of contributions	42,779	-
	<u>\$ 993,400</u>	<u>\$ 669,669</u>

5. Risk Management

The Board is exposed to various risks of losses to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has annual aggregate limit for general liability of \$2,550,000 and an annual aggregate limit of \$2,550,000 for errors and omission claims. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. Statutory workers' compensation coverage is purchased through private insurers or self-insured by the local board. Coverage is provided to the extent employees are paid from Federal or local funds. Workers' Compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing administered by the North Carolina Department of Public Instruction. This insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake, Business Interruption and Extra Expense. \$10 million per occurrence is provided on Increased Cost of Construction.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits up to a \$5 million lifetime limit. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time of the Board's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees who have access to funds are bonded for either \$5,000 or \$10,000.

The Board carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past three fiscal years.

5. Long-Term Liabilities

a. Installment Purchase

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The state has accepted a bid to purchase replacement school buses through a special third party financing arrangement by Banc of America Public Capital Corporation (BAPCC) at total payments less than the purchase price. In February 2014, the Board entered into an installment purchase contract to finance the purchase of one school bus for \$76,014. The financing contract requires only principal payments of \$19,903. In addition, in April 2015, the Board entered into an installment purchase contract to finance the purchase of an additional school bus for \$80,780. Payments totaling \$40,390 were made in fiscal year 2016. The financing contract requires only principal payments of \$20,195.

The future minimum payments of installment purchases as of June 30, 2016, including \$629 implied interest:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2017	\$ 39,199	\$ 404
2018	20,193	225
2019	-	-
2020	-	-
2021	-	-
Thereafter	-	-
Total	<u>\$ 59,392</u>	<u>\$ 629</u>

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

b. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2016:

	Balance June 30, 2015, Restated	Increases	Decreases	Balance June 30, 2016	Current Portion
<i>Governmental activities:</i>					
Installment purchases	\$ 118,786	\$ -	\$ 59,394	\$ 59,392	\$ 39,199
Net pension liability	923,559	2,001,928	-	2,925,487	-
Compensated absences	941,843	1,158,680	1,183,700	916,823	916,823
Total	<u>\$ 1,984,188</u>	<u>\$ 3,160,608</u>	<u>\$ 1,243,094</u>	<u>\$ 3,901,702</u>	<u>\$ 956,022</u>
<i>Business-type activities:</i>					
Net pension liability	\$ 28,564	\$ 61,915	\$ -	\$ 90,479	\$ -
Compensated absences	29,270	50,634	40,079	39,825	39,825
	<u>\$ 57,834</u>	<u>\$ 112,549</u>	<u>\$ 40,079</u>	<u>\$ 130,304</u>	<u>\$ 39,825</u>

Compensated absences for governmental activities are typically liquidated by the general or other governmental funds.

c. Interfund Balances and Activities

Transfers to/from other funds at June 30, 2016, consist of the following:

	Amount
From the Federal Grants Fund to the School Food Service Fund for equipment purchases	\$ 59,981
From the State Public School Fund to the School Food Service Fund for salaries	45,271
	<u>\$ 105,252</u>

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

d. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund and Other Specific Revenue fund balance that is available for appropriation.

Total fund balance - General Fund	\$ 1,067,893
Less:	
Stabilization for State Statute	6,857
Subsequent years expenditures	-
Remaining Fund Balance	\$ 1,061,036
Total fund balance - Other Specifice Revenue Fund	\$ 205,609
Less:	
Stabilization for State Statute	8,146
Committed for Community Center	56,310
Committed for Grants	20,959
Subsequent years expenditures	120,194
Remaining Fund Balance	\$ -

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Board has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

V. Restatement

The beginning balances of capital assets and long-term obligations have been restated to reflect the purchase of a bus that was not reflected in the financial statements for the fiscal year ended June 30, 2015. This restatement did not result in any change to beginning net position for governmental or business-type activities.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

- Schedule of Proportionate Share of Net Pension Liability for Teachers' and State Employees' Retirement System
- Schedule of Contributions to Teachers' and State Employees' Retirement System

Gates County Board of Education, North Carolina
Schedules of Required Supplementary Information
Schedule of the Board's Proportionate Share of the Net Pension Liability
Teachers' and State Employees' Retirement System
Last Three Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.082%	0.081%	0.080%
Board's proportionate share of the net pension liability (asset)	\$ 3,015,966	\$ 952,123	\$ 4,838,602
Board's covered-employee payroll	\$ 11,486,641	\$ 11,496,612	\$ 11,214,241
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	26.256%	8.282%	43.147%
Plan fiduciary net position as a percentage of the total pension liability	94.64%	98.24%	90.60%

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

**Gates County Board of Education, North Carolina
Schedules of Required Supplementary Information
Schedule of Board Contributions
Teachers' and State Employees' Retirement System
Last Three Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 950,621	\$ 1,018,622	\$ 904,028
Contributions in relation to the contractually required contribution	950,621	1,018,622	904,028
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 11,486,641	\$ 11,496,612	\$ 11,214,241
Contributions as a percentage of covered-employee payroll	8.28%	8.86%	8.06%

**COMBINING AND INDIVIDUAL
STATEMENTS AND SCHEDULES**

Gates County Board of Education, North Carolina
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2016

	2016		Variance
	Budget	Actual	Positive (Negative)
Revenues			
Gates County:			
Appropriation from county	\$ 2,708,000	\$ 2,708,000	\$ -
Other:			
Fines and forfeitures	55,505	55,505	-
Total revenues	2,763,505	2,763,505	-
Expenditures:			
Instructional services			
Regular instructional	33,640	31,837	1,803
Special populations	12,144	12,116	28
Alternative programs	4,268	4,268	-
School leadership	35,234	35,234	-
Co-curricular	91,090	91,090	-
School-based support	52,009	52,009	-
Total	<u>228,385</u>	<u>226,554</u>	<u>1,831</u>
System-wide support services			
Support and development	175,576	175,102	474
Special populations support			
and development	35,861	35,861	-
Technology support	78,478	78,478	-
Operational support	1,708,273	1,668,432	39,841
Financial and human resources	173,634	172,938	696
Accountability	14,230	14,230	-
System-wide pupil support	101,165	101,165	-
Policy, leadership, and public relations	224,931	221,132	3,799
Total	<u>2,512,148</u>	<u>2,467,338</u>	<u>44,810</u>
Ancillary services	<u>8,802</u>	<u>8,802</u>	<u>-</u>
Non-programmed charges	<u>2,370</u>	<u>2,370</u>	<u>-</u>
Capital outlay	<u>11,800</u>	<u>11,800</u>	<u>-</u>
Total expenditures	2,763,505	2,716,864	46,641
Net change in fund balance	\$ -	46,641	\$ (46,641)
Fund balance, beginning		<u>1,021,252</u>	
Fund balance, ending		<u><u>\$ 1,067,893</u></u>	

Gates County Board of Education, North Carolina
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Other Specific Revenue Fund
For the Year Ended June 30, 2016

	2016		Variance Positive (Negative)
	Budget	Actual	
Revenues			
U. S. Government	\$ 71,312	\$ 71,403	\$ 91
State of North Carolina	305,026	315,256	10,230
Gates County:			
Community Center appropriation	237,000	262,756	25,756
Other:			
Indirect cost allocation	34,483	34,483	-
Interest earned on investments	1,502	1,502	-
Miscellaneous revenue	47,071	43,094	(3,977)
Rental of school property	6,004	6,004	-
Activity bus	70,243	72,853	2,610
Sales tax	14,650	14,650	-
Tuition and fees	56,665	56,665	-
Total other	230,618	229,251	(1,367)
Total revenues	843,956	878,666	34,710
Expenditures:			
Instructional services			
Regular instructional	100,860	100,860	-
Special populations	31,317	31,317	-
Alternative programs	166,628	165,169	1,459
School leadership	11,806	11,806	-
School-based support	146,391	146,391	-
Total	457,002	455,543	1,459

Gates County Board of Education, North Carolina
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Other Specific Revenue Fund
For the Year Ended June 30, 2016

	2016		Variance Positive (Negative)
	Budget	Actual	
System-wide support services			
Support and development	10,978	10,978	-
Special populations support and development	2,452	2,452	-
Technology support	1,045	1,045	-
Operational support	9,531	9,531	-
Financial and human resources	15,593	3,648	11,945
Accountability	1,045	1,045	-
System-wide pupil support	63,831	1,164	62,667
Total	<u>104,475</u>	<u>29,863</u>	<u>74,612</u>
Ancillary services	<u>282,479</u>	<u>273,704</u>	<u>8,775</u>
Total expenditures	<u>843,956</u>	<u>759,110</u>	<u>84,846</u>
Net change in fund balance	<u>\$ -</u>	<u>119,556</u>	<u>\$ 119,556</u>
Fund balance, beginning		<u>86,053</u>	
Fund balance, ending		<u>\$ 205,609</u>	

Gates County Board of Education, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2016

	<u>Special Revenue Funds</u>				Total Non-major Governmental Funds
	<u>Federal Grants</u>	<u>Individual Schools</u>	<u>Total Special Revenue Funds</u>	<u>Capital Outlay</u>	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 177,737	\$ 177,737	\$ 16,224	\$ 193,961
Due from other governments	25,256	-	25,256	-	25,256
Total current assets	<u>\$ 25,256</u>	<u>\$ 177,737</u>	<u>\$ 202,993</u>	<u>\$ 16,224</u>	<u>\$ 219,217</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries and wages payable	25,256	-	25,256	-	25,256
Total liabilities	<u>25,256</u>	<u>-</u>	<u>25,256</u>	<u>-</u>	<u>25,256</u>
Fund balances:					
Restricted:					
School Capital Outlay	-	-	-	16,224	16,224
Individual Schools	-	177,737	177,737	-	177,737
Unassigned	-	-	-	-	-
Total fund balance	<u>-</u>	<u>177,737</u>	<u>177,737</u>	<u>16,224</u>	<u>193,961</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 25,256</u>	<u>\$ 177,737</u>	<u>\$ 202,993</u>	<u>\$ 16,224</u>	<u>\$ 219,217</u>

The notes to the financial statements are an integral part of the statement.

Gates County Board of Education, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2016

	<u>Special Revenue Funds</u>			Total
	Federal Grants	Individual Schools	Total Special Revenue Funds	Non-major Governmental Funds
Revenues				
Gates County:				
County appropriation	\$ -	\$ -	\$ -	\$ 200,000
Total Gates County	-	-	-	200,000
U. S. Government	923,233	-	923,233	923,233
State of North Carolina:				
Appropriation for buses	-	-	-	59,394
Total State of North Carolina	-	-	-	59,394
Contributions and donations	-	50,980	50,980	50,980
Other:				
Interest income	-	-	-	126
Sales and use tax refund	-	-	-	1,921
Miscellaneous revenue	-	1,600	1,600	1,600
Clubs and organizations	-	117,454	117,454	117,454
Fundraisers	-	92,490	92,490	92,490
Athletics	-	121,269	121,269	121,269
Total other	-	332,813	332,813	334,860
Total revenues	923,233	383,793	1,307,026	1,568,467

Gates County Board of Education, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2016

	<u>Special Revenue Funds</u>				Total Non-major Governmental Funds
	<u>Federal Grants</u>	<u>Individual Schools</u>	<u>Total Special Revenue Funds</u>	<u>Capital Outlay</u>	
Expenditures:					
Instructional services					
Regular instructional	58,764	-	58,764	-	58,764
Special populations	324,704	-	324,704	-	324,704
Alternative programs	362,155	-	362,155	-	362,155
School-based support	7,270	399,453	406,723	-	406,723
Total	<u>752,893</u>	<u>399,453</u>	<u>1,152,346</u>	<u>-</u>	<u>1,152,346</u>
System-wide support services					
Special populations support and development	149	-	149	-	149
Alternative programs and services support and development	810	-	810	-	810
Technology support	43,017	-	43,017	-	43,017
Operational support	8,328	-	8,328	-	8,328
Financial and human resources	24,145	-	24,145	-	24,145
Total	<u>76,449</u>	<u>-</u>	<u>76,449</u>	<u>-</u>	<u>76,449</u>
Ancillary services	<u>59,981</u>	<u>-</u>	<u>59,981</u>	<u>-</u>	<u>59,981</u>
Non-programmed charges	<u>33,910</u>	<u>-</u>	<u>33,910</u>	<u>-</u>	<u>33,910</u>

Gates County Board of Education, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2016

	<u>Special Revenue Funds</u>			Total Non-major Governmental Funds
	<u>Federal Grants</u>	<u>Individual Schools</u>	<u>Total Special Revenue Funds</u>	<u>Capital Outlay</u>
Capital outlay:				
Real property and buildings	-	-	-	184,070
Buses and motor vehicles	-	-	-	15,000
Total	-	-	-	199,070
Debt service	-	-	-	59,394
Total expenditures	923,233	399,453	1,322,686	258,464
Net change in fund balances	-	(15,660)	(15,660)	2,977
Fund balances, beginning	-	193,397	193,397	13,247
Fund balances, ending	<u>\$ -</u>	<u>\$ 177,737</u>	<u>\$ 177,737</u>	<u>\$ 16,224</u>
				<u>\$ 193,961</u>

Gates County Board of Education, North Carolina
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Federal Grants Fund
For the Year Ended June 30, 2016

	2016		Variance
	Budget	Actual	Positive (Negative)
Revenues			
U. S. Government	\$ 1,202,102	\$ 923,233	\$ (278,869)
Expenditures:			
Instructional services			
Regular instructional	58,764	58,764	-
Special populations	459,756	324,704	135,052
Alternative programs	372,763	362,155	10,608
School-based support	7,402	7,270	132
Total	<u>898,685</u>	<u>752,893</u>	<u>145,792</u>
System-wide support services			
Special populations support and development	149	149	-
Alternative programs and services support and development	810	810	-
Technology support	43,017	43,017	-
Operational support	8,328	8,328	-
Financial and human resources	24,931	24,145	786
Total	<u>77,235</u>	<u>76,449</u>	<u>786</u>
Ancillary services	<u>59,981</u>	<u>59,981</u>	<u>-</u>
Non-programmed charges	<u>166,201</u>	<u>33,910</u>	<u>132,291</u>
Total expenditures	<u>1,202,102</u>	<u>923,233</u>	<u>278,869</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

**Gates County Board of Education, North Carolina
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Capital Outlay Fund
For the Year Ended June 30, 2016**

	2016		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Gates County:			
Appropriation from county	\$ 200,000	\$ 200,000	\$ -
Total Gates County	200,000	200,000	-
State of North Carolina:			
State appropriations-buses	156,794	59,394	(97,400)
Other:			
Interest earned on investments	116	126	10
Sales tax refund	-	1,921	1,921
Total other	116	2,047	1,931
Total revenues	356,910	261,441	(95,469)
Expenditures:			
Capital Outlay:			
Land and buildings	185,116	184,070	1,046
Vehicles	15,000	15,000	-
Debt service:			
Principal	156,794	59,394	97,400
Total expenditures	356,910	258,464	98,446
Net change in fund balance	\$ -	2,977	\$ 2,977
Fund balance, beginning		13,247	
Fund balance, ending		\$ 16,224	

Gates County Board of Education, North Carolina
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
School Food Service Fund
For the Year Ended June 30, 2016

	2016		Variance
	Budget	Actual	Positive (Negative)
Operating revenues, food sales	\$ 292,202	\$ 255,198	\$ (37,004)
Operating expenditures:			
Business support services:			
Purchase of food	-	320,611	-
Donated commodities	-	49,144	-
Salaries and benefits	-	526,134	-
Indirect costs	-	96,366	-
Materials and supplies	-	34,714	-
Contracted services	-	13,278	-
Travel	-	1,075	-
Other	-	9,986	-
Total operating expenditures	1,042,633	1,051,308	(8,675)
Operating loss	(750,431)	(796,110)	(45,679)
Nonoperating revenues (expenditures):			
Federal reimbursements	578,837	581,330	2,493
Federal commodities	55,000	49,144	(5,856)
Sales tax refund	130	-	(130)
Interest earned	20	16	(4)
Indirect cost not paid	82,173	96,366	14,193
Depreciation expense	(11,000)	-	11,000
Total nonoperating revenues (expenditures)	705,160	726,856	21,696
Excess of revenues over (under) expenditures before other financing sources	(45,271)	(69,254)	(23,983)
Other financing sources:			
Capital contribution	-	59,981	59,981
Transfer from other funds	45,271	45,271	-
Total other financing sources	45,271	105,252	59,981
Excess of revenues and other sources over (under) expenditures	\$ -	35,998	\$ 35,998
Reconciliation of modified accrual to full accrual:			
Reconciling items:			
Depreciation		(8,718)	
Net pension liability		(61,915)	
Deferred outflows - pension		(1,916)	
Deferred inflows - pension		83,073	
Indirect costs		96,366	
Indirect costs not paid		(96,366)	
Decrease in inventory		14,356	
Decrease in vacation pay		(1,880)	
Change in net position (full accrual)		\$ 58,998	

Gates County Board of Education, North Carolina
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Child Care Fund
For the Year Ended June 30, 2016

	2016		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Child care fees	\$ 213,397	\$ 205,319	\$ (8,078)
Other operating revenues	11,143	11,143	-
Total revenues	<u>224,540</u>	<u>216,462</u>	<u>(8,078)</u>
Expenditures:			
Regular community service:			
Salaries and benefits	178,110	186,784	(8,674)
Purchase of food	16,966	16,791	175
Materials and supplies	27,300	6,143	21,157
Contracted services	1,463	1,413	50
Workshops	224	121	103
Other	477	467	10
Total expenditures	<u>224,540</u>	<u>211,719</u>	<u>12,821</u>
Revenues over expenditures	<u>-</u>	<u>4,743</u>	<u>4,743</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>4,743</u>	<u>\$ 4,743</u>
Reconciliation of modified accrual to full accrual:			
Reconciling items:			
Bad debt expense		(6,478)	
Change in net position (full accrual)		<u>\$ (1,735)</u>	

COMPLIANCE SECTION

DONNA H. WINBORNE, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT · ELIZABETH CITY, NC · EDENTON, NC

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*

Independent Auditor's Report

To the Board of Education
Gates County, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gates County Board of Education, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Gates County Board of Education's basic financial statements, and have issued my report thereon dated October 28, 2016.

Internal Control Over Financial Reporting

In planning and performing the audit of the financial statements, I considered Gates County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gates County Board of Education's internal control. Accordingly, I do not express an opinion on the effectiveness of the Board'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.

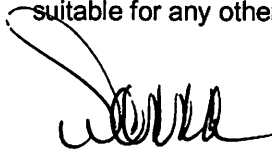
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit I did not identify any deficiencies in internal control that I consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Sandra H. Wilberke, CPA, P.C.

Elizabeth City, North Carolina
October 28, 2016

DONNA H. WINBORNE, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT · ELIZABETH CITY, NC · EDENTON, NC

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; in Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Education
Gates County, North Carolina

Report on Compliance for Each Major Federal Program

I have audited Gates County Board of Education, North Carolina, 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 Gates County Board of Education's major federal programs for the year ended June 30, 2016. Gates County Board of Education'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Gates County Board of Education's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted the audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that I 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 Gates County Board of Education's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my opinion, Gates County Board of Education 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, 2016.

Report on Internal Control Over Compliance

Management of Gates County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing the audit of compliance, I considered Gates County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the

auditing procedures that are appropriate in the circumstances for the purpose of expressing my 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, I do not express an opinion on the effectiveness of the Board'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 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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my 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.



Elizabeth City, North Carolina
October 28, 2016

DONNA H. WINBORNE, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT · ELIZABETH CITY, NC · EDENTON, NC

Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; in Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Education
Gates County, North Carolina

Report on Compliance for Each Major State Program

I have audited Gates County Board of Education, North Carolina, 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 Gates County Board of Education's major state programs for the year ended June 30, 2016. Gates County Board of Education'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 the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Gates County Board of Education's major state programs based on my audit of the types of compliance requirements referred to above. I conducted the audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that I 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 Gates County Board of Education's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances.

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

Opinion on Each Major State Program

In my opinion, Gates County Board of Education 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, 2016.

Report on Internal Control Over Compliance

Management of Gates County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing the audit of compliance, I considered Gates County Board of Education's internal control over compliance with the

types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my 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, I do not express an opinion on the effectiveness of the Board'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 state 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state 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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my 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.



Elizabeth City, North Carolina
October 28, 2016

Gates County Board of Education, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I. Summary of Auditor's Results
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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 weakness(es) identified? ☐ yes ☒ no

Significant Deficiency(ies) identified ☐ yes ☒ none reported

Noncompliance material to financial statements noted ☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant Deficiency(ies) identified ☐ yes ☒ none reported

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

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
10.553, 10.555, 10.579, 10.559	Child Nutrition Program Cluster

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

**Gates County Board of Education, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Section I. Summary of Auditor's Results (contd.)

State Awards

Internal control over major State programs:

Material weakness(es) identified? _____ yes X no

Significant Deficiency(ies) identified _____ yes X none reported

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

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act _____ yes X no

Identification of major State programs:

Program Name
State Public School Fund
Vocational Education - State Months of Employment

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

**Gates County Board of Education, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2016**

No items to report.

**Gates County Board of Education, North Carolina
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

No items to report.

Gates County Board of Education, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
School Nutrition Program (Note 3)			
<u>Child Nutrition Cluster:</u>			
Non-Cash Assistance (Commodities)			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555	PRC 035	49,144
Non-Cash Assistance			49,144
Cash Assistance			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553	PRC 035	\$ 179,974
National School Lunch Program	10.555	PRC 035	393,704
Summer Food Service Program for Children	10.559	PRC 035	3,182
Total Cash Assistance			576,860
Total Child Nutrition Cluster:			626,004
Child Nutrition Discretionary Grants Limited Availability	10.579	PRC 053	59,981
Total School Nutrition Program (Note 3)			685,985
Cash Assistance			
Child and Adult Care Food Program	10.558		10,438
Total U. S. Department of Agriculture			696,423
<u>U.S. Department of Education</u>			
Cash Assistance			
Passed-through the N.C. Department of Public Instruction:			
Title I Grants to Local Education Agencies (Title I, Part A of ESEA)	84.010	PRC 050	366,305
Total Title I Grants for Local Education Agencies (Title I)			366,305
<u>Special Education Cluster:</u>			
Special Education - Grants to States (IDEA, Part B) - Education of the Handicapped	84.027	PRC 060	214,888
IDEA - Children with Disabilities - Risk Pool	84.027	PRC 114	97,861
IDEA VI-B Special Needs Targeted Assistance	84.027	PRC 118	8,272
Special Education - Preschool Grants (IDEA Preschool) - Preschool Handicapped	84.173	PRC 049	22,474
IDEA - Targeted Assistance for Preschool Federal Grant	84.173	PRC 119	1,937
Total Special Education Cluster:			345,432
Career and Technical Education - Capacity Building Grant	84.048	PRC 017	22,173
Total Career and Technical Education - Basic Grants			22,173
Improving Teacher Quality State Grants	84.367	PRC 103	65,432
Rural Education	84.358	PRC 109	20,893
ARRA - Race to the Top Wireless Infrastructure	84.395	PRC 160	43,017
Total U. S. Department of Education			863,252
National Endowment for the Arts			
A+ Grant	45.024	PRC 411	3,978
Total federal assistance			1,563,653

Gates County Board of Education, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
State Grants:			
Cash Assistance			
<u>N. C. Department of Public Instruction:</u>			
State Public School Fund			\$ 12,091,778
Driver Training - SPSF		PRC 012	22,869
School Technology Fund - SPSF		PRC 015	19,452
Vocational Education			
- State Months of Education		PRC 013	668,118
- Program Support Funds		PRC 014	217,172
State Breakfast			3,728
<u>N. C. Arts Council - Department of Cultural Resources:</u>			
Cultural Resources Grant			22,195
<u>N. C. Department of Health and Human Services:</u>			
School Nurse Grant			128,661
Division of Child Development and Early Education:			
NC Pre-Kindergarten Program			138,541
<u>Department of Juvenile Justice:</u>			
Passed-through Gates County:			
Juvenile Crime Prevention Program			39,787
Non-Cash Assistance			
<u>N. C. Department of Public Instruction:</u>			
Textbooks		PRC 130	25,118
Total State Assistance			13,377,419
Total federal and State Assistance			\$ 14,941,072

Notes to the Schedule of Expenditures of Federal and State Awards:

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Gates County Schools under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Gates County Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows of Gates County Schools.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Gates County Schools has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

3. Cluster of Programs

The following are clustered by the NC Department of Public Instruction and are treated separately for state audit requirement purposes:

School Nutrition Program