

**GATES COUNTY  
BOARD OF EDUCATION  
Gatesville, North Carolina  
  
FINANCIAL STATEMENTS  
  
YEAR ENDED JUNE 30, 2017**

# **GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**

## **List of Principal Officials June 30, 2017**

### **BOARD OF EDUCATION**

Ray Felton, Chairman	Glendale P. Boone, Vice-Chair
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	Steve Hunter Central Middle School
Jonathan Hayes 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, 2017, 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, 2017, 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 11, 2017 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.



Edenton, North Carolina  
October 11, 2017

## **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, 2017. This information should be read in conjunction with the audited financial statements included in this report.

### ***Financial Highlights***

- The Board suffered a decrease of 22 students (1.4%) in the ADM (average daily membership) 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 \$9,223,154 as of June 30, 2017. The largest component of net position is net investment in capital assets, of \$11,350,224. It comprises 123% 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	
	2017	2016	2017	2016	2017	2016
Current Assets	\$1,897,821	\$2,014,378	\$ 89,701	\$ 277,239	\$1,987,522	\$2,291,617
Capital Assets	11,549,117	11,591,890	71,223	80,624	11,620,340	11,672,514
Total Assets	13,446,938	13,606,268	160,924	357,863	13,607,862	13,964,131
Deferred Outflows of Resources	4,582,183	963,599	190,924	29,801	4,773,107	\$ 993,400
Current Liabilities	872,825	1,502,937	7,232	41,251	880,057	1,544,188
Long-Term Liabilities	7,607,490	2,945,680	319,423	90,479	7,926,913	3,036,159
Total Liabilities	8,480,315	4,448,617	326,655	131,730	8,806,970	4,580,347
Deferred Inflows of Resources	465,253	649,578	19,385	20,091	484,638	669,669
Net Investment in Capital Assets	11,279,001	11,591,890	71,223	80,624	11,350,224	11,672,514
Restricted Net Position	234,041	200,818	-	-	234,041	200,818
Unrestricted Net Position	(2,429,489)	(2,321,036)	98,378	155,221	(2,331,111)	(2,165,815)
Total Net Position	\$9,083,553	\$9,471,672	\$ 169,601	\$ 235,845	\$9,253,154	\$9,707,517

Note that net position decreased slightly during the year by 4.99% and was largely because of the GASB 68 reporting requirement for pension liabilities and pension expenses. 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	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
<i>Program Revenues:</i>						
Charges for services	\$ 405,908	\$ 395,482	\$ 413,937	\$ 460,517	\$ 819,845	\$ 855,999
Operating grants and contributions	12,291,122	12,020,501	594,501	726,840	12,885,623	12,747,341
Capital grants and contributions	142,202	-	-	-	142,202	-
<i>General Revenues:</i>						
Other revenues	5,736,639	5,804,679	11,310	11,159	5,747,949	5,815,838
<b>Total Revenues</b>	<b>18,575,871</b>	<b>18,220,662</b>	<b>1,019,748</b>	<b>1,198,516</b>	<b>19,595,619</b>	<b>19,419,178</b>
<b>Expenses:</b>						
<i>Governmental activities:</i>						
Instructional services	13,541,888	12,115,598	-	-	13,541,888	12,115,598
System-wide support services	4,626,999	4,769,380	-	-	4,626,999	4,769,380
Ancillary services	265,838	265,132	-	-	265,838	265,132
Non-programmed charges	2,310	1,301	-	-	2,310	1,301
Depreciation	467,283	465,369	-	-	467,283	465,369
<i>Business-type activities:</i>						
Food service	-	-	908,902	1,028,308	908,902	1,028,308
Child Care	-	-	236,762	218,197	236,762	218,197
<b>Total Expenses</b>	<b>18,904,318</b>	<b>17,616,780</b>	<b>1,145,664</b>	<b>1,246,505</b>	<b>20,049,982</b>	<b>18,863,285</b>
Transfers in (out)	(59,672)	(105,252)	59,672	105,252	-	-
<b>Increase (decrease) in net position</b>	<b>(388,119)</b>	<b>498,630</b>	<b>(66,244)</b>	<b>57,263</b>	<b>(454,363)</b>	<b>555,893</b>
Net position, beginning	9,471,672	8,973,042	235,845	178,581	9,707,517	9,151,623
<b>Net position, ending</b>	<b>\$ 9,083,553</b>	<b>\$ 9,471,672</b>	<b>\$ 169,601</b>	<b>\$ 235,845</b>	<b>\$ 9,253,154</b>	<b>\$ 9,707,516</b>

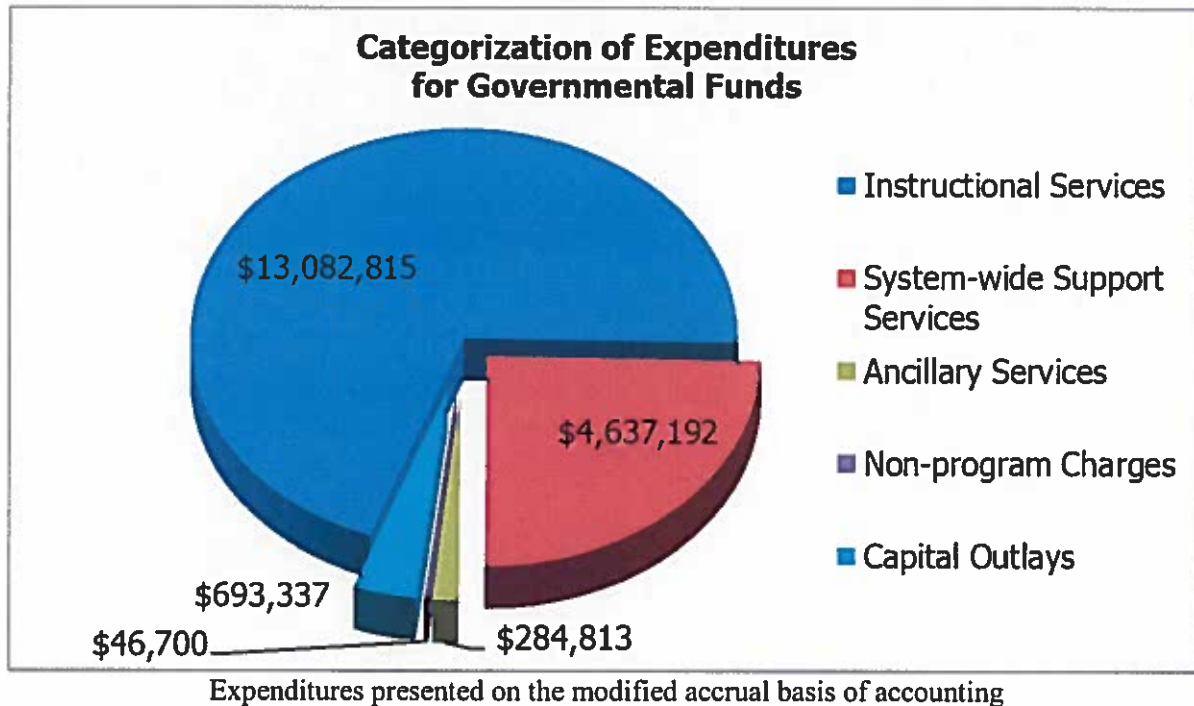
Total governmental activities generated revenues of \$18.6 million while expenses in this category totaled \$18.8 million for the year ended June 30, 2017. Comparatively, revenues were \$18.2 million and expenses totaled \$17.6 million for the year ended June 30, 2016. After transfers to the business-type activities, the decrease in net position stands at (\$388,119) at June 30, 2017, compared to an increase of \$498,630 in 2016. Instructional services expenses comprised 72.1% of total governmental-type expenses while system-wide support services made up 23.9% of those expenses for 2017. County funding comprised 17.3% of total governmental revenue for 2017. In 2016, county funding was 17.4%. Much of the remaining 82.7% of total governmental revenue for 2017 consists of restricted State and federal money. This revenue represented 82.6% of total revenue in 2016. Business-type activities generated revenue of \$1,019,748 and expenses of \$1,145,664. Net position decreased in the business-type activities by \$66,244, after transfers from the governmental activities of \$59,672.

## ***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 \$1,497,683, a \$30,221 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. State funding decreased \$95,403 and county funding increased \$30,640. Expenditures increased by \$811,004 over the prior year.

**Proprietary Funds:** The Board's business-type School Food Service Fund reflected a decrease in net position over last year of \$47,643. The Child Care Fund reflected a decrease in net position over last year, of \$18,601, primarily due to the GASB 68 reporting requirement for pension liabilities and pension expenses.



## ***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. The Board ended the year with a surplus of \$8,442.

### ***Capital Assets***

Capital assets decreased by \$52,174 (or .5%) from the previous year.

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		
	2017	2016	2017	2016	2017	2016	
Land	\$ 65,470	\$ 65,470	\$ -	\$ -	\$ 65,470	\$ 65,470	
Buildings	10,458,214	10,785,139	-	-	10,458,214	10,785,139	
Furniture and equipment	160,331	215,670	71,223	80,624	231,554	296,294	
Vehicles and motorized equipment	865,102	525,611	-	-	865,102	525,611	
Total	\$ 11,549,117	\$ 11,591,890	\$ 71,223	\$ 80,624	\$ 11,620,340	\$ 11,672,514	

### ***Debt Outstanding***

During the year the Board's outstanding debt decreased by \$122,507 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***

Despite continuing decreases in enrollment, the Board anticipates a need for increased classroom space, teachers, and equipment due to a new state law reducing the classroom size for grades kindergarten through third grade. At the same time, the North Carolina Department of Public Instruction is advising school districts to plan for decreased State revenues. County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects that of the schools. The County is enjoying a low unemployment rate of 4.2% which also correlates with the state average of 4.2%.

### ***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, 2017**

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,540,820	\$ 168,373	\$ 1,709,193
Due from other governments	353,339	23,324	376,663
Accounts receivable	3,662	11,205	14,867
Inventories	-	50,592	50,592
Capital assets			
Land and construction in progress	65,470	-	65,470
Other capital assets, net of depreciation	11,483,647	71,223	11,554,870
Total capital assets	11,549,117	71,223	11,620,340
Total assets	13,446,938	324,717	13,771,655
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	4,582,183	190,924	4,773,107
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 49,535	\$ 212	\$ 49,747
Accrued salaries and wages payable	350,603	-	350,603
Unearned revenues	-	580	580
Long term liabilities:			
Net pension liability	6,974,892	290,620	7,265,512
Due within one year	472,687	6,440	479,127
Due in more than one year	632,598	28,803	661,401
Total liabilities	8,480,315	326,655	8,806,970
<b>DEFERRED INFLOWS OF RESOURCES</b>	465,253	19,385	484,638
<b>NET POSITION</b>			
Net investment in capital assets	11,279,001	71,223	11,350,224
Restricted for:			
Individual schools	181,046	-	181,046
Stabilization by state statute	17,379	-	17,379
Alternative programs and services	11,408	-	11,408
School capital outlay	24,208	-	24,208
Unrestricted	(2,429,489)	98,378	(2,331,111)
Total net position	\$ 9,083,553	\$ 169,601	\$ 9,253,154

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, 2017**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 8,382,645	\$ 54,855	\$ 6,170,786	\$ -	\$ (2,157,004)	\$ -	\$ (2,157,004)
Special populations	1,606,332	-	1,645,195	-	38,863	-	38,863
Alternative programs	780,267	-	746,531	-	(33,736)	-	(33,736)
School leadership	1,087,441	-	634,805	-	(452,636)	-	(452,636)
Co-curricular	81,157	-	-	-	(81,157)	-	(81,157)
School-based support	1,604,046	350,155	760,121	-	(493,770)	-	(493,770)
System-wide support services:							
Support and development	140,619	-	196,520	-	55,901	-	55,901
Special populations support and development	128,113	-	75,663	-	(52,450)	-	(52,450)
Alternative programs and services support and development	1,510	-	1,510	-	-	-	-
Technology support	142,553	-	17,165	-	(125,388)	-	(125,388)
Operational support	2,902,857	898	1,163,547	142,202	(1,596,210)	-	(1,596,210)
Financial and human resources	639,278	-	164,131	-	(475,147)	-	(475,147)
Accountability	112,381	-	105,116	-	(7,265)	-	(7,265)
System-wide pupil support	53,903	-	-	-	(53,903)	-	(53,903)
Policy, leadership, and public relations	505,785	-	256,919	-	(248,866)	-	(248,866)
Ancillary services	265,838	-	290,763	-	24,925	-	24,925
Non-programmed charges	2,310	-	62,350	-	60,040	-	60,040
Unallocated depreciation expense	467,283	-	-	-	(467,283)	-	(467,283)
Total governmental activities	18,904,318	405,908	12,291,122	142,202	(6,065,086)	-	(6,065,086)
Business-type activities:							
School food service	908,902	207,071	594,501	-	-	(107,330)	(107,330)
Child care	236,762	206,866	-	-	-	(29,896)	(29,896)
Total business-type activities	1,145,664	413,937	594,501	-	-	(137,226)	(137,226)
Total primary government	\$ 20,049,982	\$ 819,845	\$ 12,885,623	\$ 142,202	(6,065,086)	(137,226)	(6,202,312)
General revenues:							
Unrestricted county appropriations - operating					2,708,000	-	2,708,000
Unrestricted county appropriations - capital					254,896	-	254,896
Unrestricted State appropriations - operating					2,540,547	-	2,540,547
Unrestricted State appropriations - capital					122,507	-	122,507
Investment earnings, unrestricted					2,091	15	2,106
Miscellaneous, unrestricted					108,598	11,295	119,893
Transfers					(59,672)	59,672	-
Total general revenues and transfers					5,676,967	70,982	5,625,442
Change in net position					(388,119)	(66,244)	(454,363)
Net position, beginning					9,471,672	235,845	9,707,517
Net position - ending					\$ 9,083,553	\$ 169,601	\$ 9,253,154

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, 2017**

	Major Funds			Non-major Funds	
	General	State Public School	Other Specific Revenue	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,120,369	\$ -	\$ 209,696	\$ 210,755	\$ 1,540,820
Accounts receivable	-	-	3,662	-	3,662
Due from other funds	5,501	-	-	-	5,501
Due from other governments	-	315,726	8,216	29,397	353,339
<b>Total assets</b>	<b>\$ 1,125,870</b>	<b>\$ 315,726</b>	<b>\$ 221,574</b>	<b>\$ 240,152</b>	<b>\$ 1,903,322</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 49,535	\$ -	\$ -	\$ -	\$ 49,535
Accrued salaries and wages payable	-	315,726	5,480	29,397	350,603
Due to other funds	-	-	-	5,501	5,501
<b>Total liabilities</b>	<b>49,535</b>	<b>315,726</b>	<b>5,480</b>	<b>34,898</b>	<b>405,639</b>
<b>Fund balances:</b>					
<b>Restricted:</b>					
Individual Schools	-	-	-	181,046	181,046
Stabilization by State Statute	5,501	-	11,878	-	17,379
School Capital Outlay	-	-	-	24,208	24,208
North Carolina Pre-Kindergarten	-	-	11,408	-	11,408
<b>Committed:</b>	-	-	192,808	-	192,808
<b>Assigned:</b>					
Subsequent years expenditures	26,000	-	-	-	26,000
<b>Unassigned:</b>	<b>1,044,834</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,044,834</b>
<b>Total fund balances</b>	<b>1,076,335</b>	<b>-</b>	<b>216,094</b>	<b>205,254</b>	<b>1,497,683</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,125,870</b>	<b>\$ 315,726</b>	<b>\$ 221,574</b>	<b>\$ 240,152</b>	<b>\$ 1,903,322</b>

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.	11,549,117
Deferred outflows of resources related to pensions	4,582,183
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).	(1,105,285)
Net pension liability	(6,974,892)
Deferred inflows of resources related to pensions	(465,253)
<b>Net position of governmental activities</b>	<b>\$ 9,083,553</b>

**Gates County Board of Education, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	Major Funds			Non-major Funds	
	General	Other Specific Revenue	State Public School	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
State of North Carolina	\$ -	\$ 300,829	\$ 12,949,104	\$ 122,507	\$ 13,372,440
Gates County	2,708,000	238,500	-	254,896	3,201,396
U. S. Government	-	108,161	-	1,100,263	1,208,424
Contributions and donations	-	-	-	44,315	44,315
Other	89,379	244,723	-	356,630	690,732
Total revenues	<u>2,797,379</u>	<u>892,213</u>	<u>12,949,104</u>	<u>1,878,611</u>	<u>18,517,307</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Instructional services					
Regular instructional	245,607	98,001	7,223,673	50,617	7,617,898
Special populations	14,431	99,000	1,004,011	606,670	1,724,112
Alternative programs	1,520	166,951	272,136	335,593	776,200
School leadership	14,026	34,883	1,122,951	-	1,171,860
Co-curricular	91,317	-	-	-	91,317
School-based support	53,639	129,417	1,111,744	406,628	1,701,428
System-wide support services					
Support and development	26,198	248	142,032	48	168,526
Special populations support and development	65,423	2,214	75,663	-	143,300
Alternative programs and services support and development	-	-	-	1,510	1,510
Technology support	102,648	2,602	45,068	-	150,318
Operational support	1,577,812	25,082	1,154,686	4,643	2,762,223
Financial and human resources	289,380	48,261	334,818	19,579	692,038
Accountability	8,380	1,053	117,932	-	127,365
System-wide pupil support	54,423	1,023	-	-	55,446
Policy, leadership, and public relations	214,162	3,725	296,160	22,419	536,466
Ancillary services	11,618	271,621	1,574	-	284,813
Non-programmed charges	3,354	-	(370)	43,716	46,700
<b>Capital outlay:</b>					
Real property and buildings	-	-	-	244,847	244,847
Vehicles	-	-	-	448,490	448,490
<b>Debt service:</b>					
Principal	-	-	-	122,507	122,507
Total expenditures	<u>2,773,938</u>	<u>884,081</u>	<u>12,902,078</u>	<u>2,307,267</u>	<u>18,867,364</u>
Excess (deficiency) of revenues over expenditures	<u>23,441</u>	<u>8,132</u>	<u>47,026</u>	<u>(428,656)</u>	<u>(350,057)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from (to) other funds	(14,999)	2,353	(47,026)	-	(59,672)
Capital contribution	-	-	-	106,719	106,719
Installment purchase obligation issued	-	-	-	333,231	333,231
Total other financing sources (uses)	<u>(14,999)</u>	<u>2,353</u>	<u>(47,026)</u>	<u>439,950</u>	<u>380,278</u>
Net change in fund balance	8,442	10,485	-	11,294	30,221
Fund balances, beginning	1,067,893	205,609	-	193,960	1,467,462
Fund balances, ending	<u>\$ 1,076,335</u>	<u>\$ 216,094</u>	<u>\$ -</u>	<u>\$ 205,254</u>	<u>\$ 1,497,683</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, 2017**

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

Net changes in fund balances - total governmental funds	\$ 30,221
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.	(42,774)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,038,616
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.	(210,724)
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	(1,285,112)
Compensated absences	81,654
Total changes in net position of governmental activities	<u>\$ (388,119)</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, 2017**

	General Fund			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Gates County	\$ 2,708,000	\$ 2,708,000	\$ 2,708,000	\$ -
Other	54,000	89,379	89,379	-
Total revenues	<u>2,762,000</u>	<u>2,797,379</u>	<u>2,797,379</u>	<u>-</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instructional services				
Regular instructional	377,977	332,524	245,607	86,917
Special populations	-	14,431	14,431	-
Alternative programs	-	1,520	1,520	-
School leadership	26,076	14,026	14,026	-
Co-curricular	128,755	91,317	91,317	-
School-based support	8,298	53,639	53,639	-
System-wide support services				
Support and development	46,150	27,198	26,198	1,000
Special populations support and development	23,189	65,423	65,423	-
Technology support	102,766	102,648	102,648	-
Operational support	1,566,380	1,610,759	1,577,812	32,947
Financial and human resources	200,819	289,987	289,380	607
Accountability	-	8,380	8,380	-
System-wide pupil support	98,341	54,423	54,423	-
Policy, leadership, and public relations	175,079	218,271	214,162	4,109
Ancillary services	5,800	11,958	11,618	340
Non-programmed charges	2,370	3,354	3,354	-
Capital Outlay	-	584	0	584
Total expenditures	<u>2,762,000</u>	<u>2,900,442</u>	<u>2,773,938</u>	<u>126,504</u>
Net change in fund balance	<u>-</u>	<u>(103,063)</u>	<u>23,441</u>	<u>(126,504)</u>
Other financing sources (uses)				
Fund balance appropriated	-	103,063	-	(103,063)
Operating transfer in (out)	-	-	(14,999)	(14,999)
Total other financing sources (uses)	<u>-</u>	<u>103,063</u>	<u>(14,999)</u>	<u>(118,062)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>8,442</u>	<u>\$ 8,442</u>
Fund balance, beginning			1,067,893	
Fund balance, ending			<u>\$ 1,076,335</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, 2017**

	State Public School Fund			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
State of North Carolina	\$ 12,626,932	\$ 13,266,938	\$ 12,949,104	\$ (317,834)
<b>EXPENDITURES</b>				
Current:				
Instructional services				
Regular instructional	7,292,659	7,461,032	7,223,673	237,359
Special populations	930,647	1,054,211	1,004,011	50,200
Alternative programs	382,655	294,788	272,136	22,652
School leadership	1,087,291	1,126,506	1,122,951	3,555
School-based support	1,136,941	1,115,812	1,111,744	4,068
System-wide support services				
Support and development	48,960	142,032	142,032	-
Special populations support and development	114,549	75,663	75,663	-
Technology support	-	45,068	45,068	-
Operational support	783,106	1,154,686	1,154,686	-
Financial and human resources	407,784	334,818	334,818	-
Accountability	107,220	117,932	117,932	-
Policy, leadership, and public relations	288,821	296,160	296,160	-
Ancillary services	46,299	48,600	1,574	47,026
Non-programmed charges	-	(370)	(370)	-
Total expenditures	12,626,932	13,266,938	12,902,078	364,860
Revenues over (under) expenditures	-	-	47,026	47,026
Other financing sources (uses)				
Transfers to other funds	-	-	(47,026)	(47,026)
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning			-	
Fund balance, ending			\$ -	

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, 2017**

	Other Specific Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>REVENUES</b>				
State of North Carolina	\$ 324,090	\$ 313,010	\$ 300,829	\$ (12,181)
U.S. Government	23,799	107,161	108,161	1,000
Gates County Community Center appropriation	238,500	238,500	238,500	-
Other	375,555	245,550	244,723	(827)
Total revenues	<u>961,944</u>	<u>904,221</u>	<u>892,213</u>	<u>(12,008)</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instructional services				
Regular instructional	106,060	100,987	98,001	2,986
Special populations	58,723	110,106	99,000	11,106
Alternative programs	197,291	178,712	166,951	11,761
School leadership	35,388	34,883	34,883	-
School-based support	151,310	129,417	129,417	-
System-wide support services				-
Support and development	387	248	248	-
Special populations support and development	2,602	2,214	2,214	-
Technology support	2,628	2,602	2,602	-
Operational support	9,370	25,082	25,082	-
Financial and human resources	2,852	48,261	48,261	-
Accountability	1,054	1,053	1,053	-
System-wide pupil support	77,591	110,170	1,023	109,147
Policy, leadership, and public relations	33,877	3,725	3,725	-
Ancillary services	282,811	285,268	271,621	13,647
Total expenditures	<u>961,944</u>	<u>1,032,728</u>	<u>884,081</u>	<u>148,647</u>
Net change in fund balance	<u>-</u>	<u>(128,507)</u>	<u>8,132</u>	<u>(136,639)</u>
Other financing sources (uses)				
Fund balance appropriated	-	141,153	-	(141,153)
Operating transfer in (out)	-	(12,646)	2,353	14,999
Total other financing sources (uses)	<u>-</u>	<u>128,507</u>	<u>2,353</u>	<u>(126,154)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>10,485</u>	<u>\$ 10,485</u>
Fund balance, beginning			205,609	
Fund balance, ending			<u>\$ 216,094</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, 2017**

	<b>Enterprise Funds</b>		
	<b>Major Funds</b>		
	<b>School Food Service</b>	<b>Child Care</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 145,310	\$ 23,063	\$ 168,373
Due from other governments	21,923	1,401	23,324
Accounts receivable (Net of allowance of \$1,750)	4,947	6,258	11,205
Inventories	50,592	-	50,592
Due from other funds	1,560	-	1,560
Total current assets	<u>224,332</u>	<u>30,722</u>	<u>255,054</u>
Noncurrent assets:			
Capital assets:			
Food service equipment, net	71,223	-	71,223
Total noncurrent assets	<u>71,223</u>	<u>-</u>	<u>71,223</u>
Total assets	<u>295,555</u>	<u>30,722</u>	<u>326,277</u>
<b>DEFERRED OUTLOWS OF RESOURCES</b>	<u>143,193</u>	<u>47,731</u>	<u>190,924</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	212	-	212
Due to other funds	-	1,560	1,560
Compensated absences	4,950	1,490	6,440
Unearned revenues	-	580	580
Total current liabilities	<u>5,162</u>	<u>3,630</u>	<u>8,792</u>
Noncurrent liabilities:			
Compensated absences	22,408	6,395	28,803
Net pension liability	217,965	72,655	290,620
Total noncurrent liabilities	<u>240,373</u>	<u>79,050</u>	<u>319,423</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>14,539</u>	<u>4,846</u>	<u>19,385</u>
<b>NET POSITION</b>			
Net investment in capital assets	71,223	-	71,223
Unrestricted	107,451	(9,073)	98,378
Total net position	<u>\$ 178,674</u>	<u>\$ (9,073)</u>	<u>\$ 169,601</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, 2017**

	<b>Enterprise Funds</b>		
	<b>Major Funds</b>		
	<b>School Food Service</b>	<b>Child Care</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Food sales	\$ 207,071	\$ -	\$ 207,071
Child care fees	-	206,866	206,866
Other	-	11,295	11,295
Total operating revenues	207,071	218,161	425,232
<b>OPERATING EXPENSES</b>			
Food cost:			
Purchase of food	237,982	19,313	257,295
Donated commodities	60,605	-	60,605
Salaries and benefits	531,036	208,167	739,203
Indirect costs	3,765	-	3,765
Materials and supplies	16,770	6,746	23,516
Depreciation	9,401	-	9,401
Contracted services	42,498	544	43,042
Travel	1,414	-	1,414
Bad debt expense	-	1,468	1,468
Other	5,431	524	5,955
Total operating expenses	908,902	236,762	1,145,664
Operating loss	(701,831)	(18,601)	(720,432)
<b>NONOPERATING REVENUES</b>			
Federal reimbursements	533,655	-	533,655
Federal commodities	60,605	-	60,605
Sales tax refund	241	-	241
Interest earned	15	-	15
Total nonoperating revenues	594,516	-	594,516
Loss before contributions and transfers	(107,315)	(18,601)	(125,916)
<b>OTHER FINANCING SOURCES</b>			
Transfer from other funds	59,672	-	59,672
Total other financing sources	59,672	-	59,672
Change in net position	(47,643)	(18,601)	(66,244)
Total net position, beginning	226,317	9,528	235,845
Total net position - ending	\$ 178,674	\$ (9,073)	\$ 169,601

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, 2017**

	<b>Enterprise Funds</b>		
	<b>Major Funds</b>		
	<b>School Food Service</b>	<b>Child Care</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 206,928	\$ 215,173	\$ 422,101
Cash paid for goods and services	(298,296)	(27,126)	(325,422)
Cash paid to employees for services	(494,399)	(179,187)	(673,586)
Net cash provided (used) by operating activities	(585,767)	8,860	(576,907)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
(Increase) Decrease in due from other funds	(1,560)	-	(1,560)
Increase (Decrease) in due to other funds	-	(1,427)	(1,427)
Federal reimbursements	532,258	-	532,258
State reimbursements	241	-	241
Net cash provided by noncapital financing activities	530,939	(1,427)	529,512
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	15	-	15
Net increase (decrease) in cash and cash equivalents	(54,813)	7,433	(47,380)
Balances - beginning of year	200,123	15,629	215,752
Balances - end of year	\$ 145,310	\$ 23,062	\$ 168,372
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (701,831)	\$ (18,601)	\$ (720,432)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	9,401	-	9,401
Bad debt expense	-	1,468	1,468
Donated commodities consumed	60,605	-	60,605
Salaries paid by special revenue fund	59,672	-	59,672
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	(143)	(4,446)	(4,589)
(Increase) decrease in inventory	(18,264)	-	(18,264)
(Increase) decrease in due from other governments	-	2,135	2,135
(Increase) decrease in deferred outflows	(113,392)	(47,731)	(161,123)
Increase (decrease) in accounts payable	44	-	44
Increase (decrease) in net pension liability	127,486	72,655	200,141
Increase (decrease) in deferred inflows	(5,552)	4,846	(706)
Increase (decrease) in unearned revenues	-	(677)	(677)
Increase (decrease) in compensated absences	(3,793)	(789)	(4,582)
Total adjustments	116,064	27,461	143,525
Net cash provided (used) by operating activities	\$ (585,767)	\$ 8,860	\$ (576,907)

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, 2017**

**Noncash investing, capital, and financing activities:**

The State Public School Fund paid salaries and benefits of \$47,026 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.

The School Food Service Fund received donated commodities with a value of \$60,605 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$60,605 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, 2017**

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**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. Non-operating 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.



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*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.

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**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.

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**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, 2017 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]

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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 if 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 \$7,585,870 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)	\$ 24,436,417
Less - Accumulated Depreciation	<u>(12,887,300)</u>
Net capital assets	11,549,117
 Pension related deferred outflows of resources	
Contributions made to the pension plan in current year	1,038,616
Differences between contributions and proportional share of contributions and changes in proportion	27,470
Changes in assumptions	1,028,627
Net difference between actual and expected earnings on plan investments	2,487,470
 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	(270,116)
Compensated Absences	(835,169)
Net pension liability	(6,974,892)
 Deferred inflows of resources related to pensions	
Differences between expected and actual experience	(135,610)
Differences between projected and actual earnings on plan investments	<u>(329,643)</u>
Total adjustment	<u><u>\$ 7,585,870</u></u>

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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 (\$418,340) as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 513,649
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.	(556,423)
New debt issued during the years is recorded as a source of funds on the fund statements; but only affect the statement of net assets in the government-wide statements	(333,231)
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	122,507
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,038,616
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	(1,285,112)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	81,654
	<u>\$ (418,340)</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

A. Excess of Expenditures over Appropriations

During the fiscal year ended June 30, 2017, the Board reported expenditures within the Capital Outlay Fund that violated State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance by \$63,115.

*Corrective Action Plan:*

We will monitor payments made by DPI on the LEA's behalf to ensure that they are correctly budgeted for and posted in a timely manner, and reconcile back to the bus payment log.

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**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 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, 2017 the Board had deposits with banks with a carrying amount of \$1,709,168 and with the State Treasurer of \$-. The bank balances with the financial institutions and the State Treasurer was \$1,829,703 and \$214,312, respectively. Of these balances, \$267,467 was covered by federal depository insurance and \$1,562,236 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

At June 30, 2017, the Board had petty cash of \$25.

**2. Accounts Receivable**

Receivables at the government-wide level at June 30, 2017, were as follows:

	Due from other funds (internal balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ 5,501	\$ -	\$ -	\$ 5,501
Other governmental	(5,501)	353,339	3,662	351,500
Total governmental activities:	\$ -	\$ 353,339	\$ 3,662	\$ 357,001
Business-type activities				
School Food Service	\$ 1,560	\$ 21,923	4,947	\$ 28,430
Child Care	(1,560)	1,401	6,258	6,099
	\$ -	\$ 23,324	\$ 11,205	\$ 34,529

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

Due from other governments consists of the following:

**Governmental activities:**

State Public School Fund	\$	315,726	Operating revenues from DPI
Federal Grants Fund		29,397	Federal grants funds
Other Specific Revenue Fund		8,216	JCPC Grant funds
Total governmental activities	\$	<u>353,339</u>	

**Business-type activities:**

School Food Service Fund	\$	21,923	USDA reimbursement
Child Care Fund		1,401	CACFP
Total governmental activities	\$	<u>23,324</u>	

**3. Capital Assets**

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 65,470	\$ -	\$ -	\$ 65,470
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>65,470</u>	<u>-</u>	<u>-</u>	<u>65,470</u>
<b>Capital assets being depreciated:</b>				
Buildings	21,109,875	65,699	-	21,175,574
Equipment and furniture	1,103,451	8,000	-	1,111,451
Vehicles	1,666,472	439,950	22,500	2,083,922
Total capital assets being depreciated	<u>23,879,798</u>	<u>513,649</u>	<u>22,500</u>	<u>24,370,947</u>
<b>Less accumulated depreciation for:</b>				
Buildings	10,324,736	392,624	-	10,717,360
Equipment and furniture	887,781	63,339	-	951,120
Vehicles	1,140,860	100,460	22,500	1,218,820
Total accumulated depreciation	<u>12,353,377</u>	<u>556,423</u>	<u>22,500</u>	<u>12,887,300</u>
Total capital assets being depreciated, net	<u>11,526,421</u>			<u>11,483,647</u>
<b>Governmental activity capital assets, net</b>	<b>\$ <u>11,591,891</u></b>			<b>\$ <u>11,549,117</u></b>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 465,369
Operational support services	<u>82,198</u>
Total	<u>\$ 556,423</u>

**Gates County Board of Education, North Carolina**  
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	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>School Food Service Fund:</b>				
<b>Capital assets being depreciated:</b>				
Food service equipment	\$ 331,276	\$ -	\$ -	\$ 331,276
Total capital assets being depreciated	331,276	-	-	331,276
<b>Less accumulated depreciation for:</b>				
Food service equipment	250,652	9,401	-	260,053
Total accumulated depreciation	250,652	9,401	-	260,053
<b>Business-type activities capital assets, net</b>	<b>\$ 80,624</b>			<b>\$ 71,223</b>

**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](http://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 \$1,081,892 for the year ended June 30, 2017.

*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, 2017, the Board reported a liability of \$7,265,512 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016 and at June 30, 2015, the Board's proportion was .082% and .081%, respectively.

For the year ended June 30, 2017, the Board recognized pension expense of \$1,366,698. At June 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 343,378
Changes of assumptions	1,071,485	-
Net difference between projected and actual earnings on pension plan investments	2,591,115	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	28,615	141,260
Board contributions subsequent to the measurement date	1,081,892	-
	<u>\$ 4,773,107</u>	<u>\$ 484,638</u>

\$1,081,892 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$ 525,941
2019	535,772
2020	1,372,634
2021	772,229
2022	-
Thereafter	-
	<u>\$ 3,206,576</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.10 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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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, 2016 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including 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 3.05%. 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:

**Gates County Board of Education, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Board's proportionate share of the net pension liability (asset)	\$ 13,665,023	\$ 7,265,512	\$ 1,884,399

*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, 2017, 2016, and 2015, the School Board paid all annual required contribution to the Plan for postemployment healthcare benefits of \$630,169, \$581,801, and \$611,173, respectively. These

**Gates County Board of Education, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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contributions represented 5.60% (July 1, 2016 – December 31, 2016), 6.02% (January 1, 2017 – June 30, 2017), 5.60%, and 5.49% 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, 2017**

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, 2017, 2016, and 2015, the Board paid all annual required contributions to the DIPNC for disability benefits of \$41,194, \$42,596, and \$45,643, respectively. These contributions represented 0.38%, 0.41%, and 0.41%, of covered payroll, respectively.

**3. Accounts Payable**

Accounts payable as of June 30, 2017, are as follows:

	<u>Salaries and</u> <u>Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ -	\$ 49,535	\$ 49,535
Other governmental	350,603	-	350,603
Total governmental activities:	<u>\$ 350,603</u>	<u>\$ 49,535</u>	<u>\$ 400,138</u>
Business-type activities:			
School Food Service	\$ -	\$ 212	\$ 212
Child Care	-	-	-
Total business-type activities	<u>\$ -</u>	<u>\$ 212</u>	<u>\$ 212</u>

**Gates County Board of Education, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**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	\$ -	\$ 343,378
Changes of assumptions	1,071,485	-
Net difference between projected and actual earnings on pension plan investments	2,591,115	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	28,615	141,260
Board contributions subsequent to the measurement date	1,081,892	-
	<u>\$ 4,773,107</u>	<u>\$ 484,638</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, 2017**

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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 annually.

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 \$20,195 were made in fiscal year 2017. The financing contract requires only principal payments of \$20,195 annually.

In February 2017, the Board entered into an installment purchase contract to finance the purchase of four school buses for \$333,231. The financing contract requires only principal payments of \$83,308 annually. Payments totaling \$83,308 were made in fiscal year 2017.

The future minimum payments of installment purchases as of June 30, 2017, including \$629 implied interest:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2018	\$ 186,810	\$ 1,565
2019	83,306	1,340
2020	-	-
2021	-	-
2022	-	-
Thereafter	-	-
Total	<u>\$ 270,116</u>	<u>\$ 2,905</u>



**Gates County Board of Education, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**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, 2017:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion
<i>Governmental activities:</i>					
Installment purchases	\$ 59,392	\$ 333,231	\$ 122,507	\$ 270,116	\$ 186,810
Net pension liability	2,925,487	4,049,405	-	6,974,892	-
Compensated absences	916,823	204,223	285,877	835,169	285,877
Total	<u>\$3,901,702</u>	<u>\$4,586,859</u>	<u>\$ 408,384</u>	<u>\$8,080,177</u>	<u>\$ 472,687</u>
<i>Business-type activities:</i>					
Net pension liability	\$ 90,479	\$ 200,141	\$ -	\$ 290,620	\$ -
Compensated absences	39,825	1,859	6,440	35,244	6,440
	<u>\$ 130,304</u>	<u>\$ 202,000</u>	<u>\$ 6,440</u>	<u>\$ 325,864</u>	<u>\$ 6,440</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, 2017, consist of the following:

	Amount
From the Other Specific Revenue Fund to the School Food Service Fund for equipment purchases	\$ 12,646
From the State Public School Fund to the School Food Service Fund for salaries	47,026
	<u>\$ 59,672</u>

**Gates County Board of Education, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

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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.

<b>Total fund balance - General Fund</b>	<b>\$ 1,076,335</b>
Less:	
Stabilization for State Statute	5,501
Subsequent years expenditures	26,000
Remaining Fund Balance	<b>\$ 1,044,834</b>
<b>Total fund balance - Other Specific Revenue Fund</b>	<b>\$ 216,094</b>
Less:	
Stabilization for State Statute	11,878
Restricted for Grants	11,408
Committed for Community Center	71,061
Committed for Grants	109,147
Committed for Training and Backup Contract	12,600
Subsequent years expenditures	-
Remaining Fund Balance	<b>\$ -</b>

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.

## **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 Four Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.079%	0.082%	0.081%	0.080%
Board's proportionate share of the net pension liability (asset)	\$ 7,265,511	\$ 3,015,966	\$ 952,123	\$ 4,838,602
Board's covered-employee payroll	\$ 11,486,641	\$ 11,496,612	\$ 11,214,241	\$ 10,865,571
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	63.252%	26.234%	8.490%	44.532%
Plan fiduciary net position as a percentage of the total pension liability	87.32%	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 Four Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,081,892	\$ 950,621	\$ 1,018,622	\$ 904,028
Contributions in relation to the contractually required contribution	1,081,892	950,621	1,018,622	904,028
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 10,840,597	\$ 11,486,641	\$ 11,496,612	\$ 11,214,241
Contributions as a percentage of covered-employee payroll	9.98%	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, 2017**

	2017		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues</b>			
Gates County:			
Appropriation from county	\$ 2,708,000	\$ 2,708,000	\$ -
Other:			
Fines and forfeitures	58,896	58,896	-
Insurance proceeds	30,483	30,483	-
	<u>89,379</u>	<u>89,379</u>	<u>-</u>
<b>Total revenues</b>	<u>2,797,379</u>	<u>2,797,379</u>	<u>-</u>
<b>Expenditures:</b>			
Instructional services			
Regular instructional	332,524	245,607	86,917
Special populations	14,431	14,431	-
Alternative programs	1,520	1,520	-
School leadership	14,026	14,026	-
Co-curricular	91,317	91,317	-
School-based support	53,639	53,639	-
Total	<u>507,457</u>	<u>420,540</u>	<u>86,917</u>
System-wide support services			
Support and development	27,198	26,198	1,000
Special populations support and development	65,423	65,423	-
Technology support	102,648	102,648	-
Operational support	1,610,759	1,577,812	32,947
Financial and human resources	289,987	289,380	607
Accountability	8,380	8,380	-
System-wide pupil support	54,423	54,423	-
Policy, leadership, and public relations	218,271	214,162	4,109
Total	<u>2,377,089</u>	<u>2,338,426</u>	<u>38,663</u>
Ancillary services	<u>11,958</u>	<u>11,618</u>	<u>340</u>
Non-programmed charges	<u>3,354</u>	<u>3,354</u>	<u>-</u>
Capital outlay	<u>584</u>	<u>-</u>	<u>584</u>
<b>Total expenditures</b>	<u>2,900,442</u>	<u>2,773,938</u>	<u>126,504</u>
Excess of revenues over expenditures	<u>(103,063)</u>	<u>23,441</u>	<u>(126,504)</u>
<b>Other financing sources (uses):</b>			
Fund balance appropriated	103,063	-	(103,063)
Operating transfer in (out)	-	(14,999)	(14,999)
Total	<u>103,063</u>	<u>(14,999)</u>	<u>(118,062)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>8,442</u>	<u>\$ 8,442</u>
<b>Fund balance, beginning</b>		<u>1,067,893</u>	
<b>Fund balance, ending</b>		<u>\$ 1,076,335</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, 2017**

	<b>2017</b>		<b>Variance</b>
	<b>Budget</b>	<b>Actual</b>	<b>Positive (Negative)</b>
<b>Revenues</b>			
U. S. Government	\$ 107,161	108,161	\$ 1,000
State of North Carolina	313,010	300,829	(12,181)
Gates County:			
Community Center appropriation	238,500	238,500	-
Other:			
Indirect cost allocation	44,176	44,390	214
Interest earned on investments	1,771	1,984	213
Miscellaneous revenue	49,701	49,702	1
Rental of school property	4,663	4,663	-
Activity bus	69,053	69,761	708
Sales tax	19,004	19,004	-
Contributions	364	364	-
Tuition and fees	56,818	54,855	(1,963)
Total other	245,550	244,723	(827)
<b>Total revenues</b>	<b>904,221</b>	<b>892,213</b>	<b>(12,008)</b>
<b>Expenditures:</b>			
Instructional services			
Regular instructional	100,987	98,001	2,986
Special populations	110,106	99,000	11,106
Alternative programs	178,712	166,951	11,761
School leadership	34,883	34,883	-
School-based support	129,417	129,417	-
Total	554,105	528,252	25,853



**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, 2017**

	<b>2017</b>		<b>Variance Positive (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
System-wide support services			
Support and development	248	248	-
Special populations support and development	2,214	2,214	-
Technology support	2,602	2,602	-
Operational support	25,082	25,082	-
Financial and human resources	48,261	48,261	-
Accountability	1,053	1,053	-
System-wide pupil support	110,170	1,023	109,147
Policy, leadership, and public relations	3,725	3,725	-
Total	<u>193,355</u>	<u>84,208</u>	<u>109,147</u>
Ancillary services	<u>285,268</u>	<u>271,621</u>	<u>13,647</u>
<b>Total expenditures</b>	<u>1,032,728</u>	<u>884,081</u>	<u>148,647</u>
Excess of revenues over expenditures	<u>(128,507)</u>	<u>8,132</u>	<u>(136,639)</u>
<b>Other financing sources (uses)</b>			
Fund balance appropriated	141,153	-	141,153
Transfer from (to) other funds	<u>(12,646)</u>	<u>2,353</u>	<u>(14,999)</u>
Total	<u>128,507</u>	<u>2,353</u>	<u>126,154</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>10,485</u>	<u>\$ 10,485</u>
Fund balance, beginning		<u>205,609</u>	
Fund balance, ending		<u>\$ 216,094</u>	

**Gates County Board of Education, North Carolina**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**June 30, 2017**

	<u>Special Revenue Funds</u>				
	<u>Federal Grants</u>	<u>Individual Schools</u>	<u>Total Special Revenue Funds</u>	<u>Capital Outlay</u>	<u>Total Non-major Governmental Funds</u>
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ -	\$ 186,547	\$ 186,547	\$ 24,208	\$ 210,755
Due from other governments	29,397	-	29,397	-	29,397
Total current assets	<u>\$ 29,397</u>	<u>\$ 186,547</u>	<u>\$ 215,944</u>	<u>\$ 24,208</u>	<u>\$ 240,152</u>
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries and wages payable	29,397	-	29,397	-	29,397
Due to other funds	-	5,501	5,501	-	5,501
Total liabilities	<u>29,397</u>	<u>5,501</u>	<u>34,898</u>	<u>-</u>	<u>34,898</u>
<b>Fund balances:</b>					
<b>Restricted:</b>					
School Capital Outlay	-	-	-	24,208	24,208
Individual Schools	-	181,046	181,046	-	181,046
<b>Unassigned</b>					
Total fund balance	<u>-</u>	<u>181,046</u>	<u>181,046</u>	<u>24,208</u>	<u>205,254</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 29,397</u>	<u>\$ 186,547</u>	<u>\$ 215,944</u>	<u>\$ 24,208</u>	<u>\$ 240,152</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, 2017**

	<u>Special Revenue Funds</u>			<b>Total Non-major Governmental Funds</b>
	<u>Federal Grants</u>	<u>Individual Schools</u>	<u>Total Special Revenue Funds</u>	
<b>Revenues</b>				
Gates County:				
County appropriation	\$ -	\$ -	\$ -	\$ 254,896
Total Gates County	-	-	-	254,896
U. S. Government	1,100,263	-	1,100,263	-
State of North Carolina:				
Appropriation for buses	-	-	-	122,507
Total State of North Carolina	-	-	-	122,507
Contributions and donations	-	44,315	44,315	-
Other:				
Interest income	-	-	-	107
Sales and use tax refund	-	-	-	1,368
Miscellaneous revenue	-	2,000	2,000	-
Sale of fixed assets	-	-	-	5,000
Clubs and organizations	-	119,793	119,793	-
Fundraisers	-	88,627	88,627	-
Athletics	-	139,735	139,735	-
Total other	-	350,155	350,155	6,475
<b>Total revenues</b>	<b>1,100,263</b>	<b>394,470</b>	<b>1,494,733</b>	<b>383,878</b>
				<b>1,878,611</b>

**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, 2017**

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Federal</u>	<u>Individual</u>	<u>Total Special</u>	<u>Non-major</u>
	<u>Grants</u>	<u>Schools</u>	<u>Revenue</u>	<u>Governmental</u>
			<u>Funds</u>	<u>Funds</u>
			<u>Capital Outlay</u>	
<b>Expenditures:</b>				
Instructional services				
Regular instructional	50,617	-	50,617	50,617
Special populations	606,670	-	606,670	606,670
Alternative programs	335,593	-	335,593	335,593
School-based support	15,468	391,160	406,628	406,628
Total	<u>1,008,348</u>	<u>391,160</u>	<u>1,399,508</u>	<u>1,399,508</u>
System-wide support services				
Support and development	48	-	48	48
Alternative programs and services				
support and development	1,510	-	1,510	1,510
Operational support	4,643	-	4,643	4,643
Financial and human resources	19,579	-	19,579	19,579
Policy, leadership, and public relations	22,419	-	22,419	22,419
Total	<u>48,199</u>	<u>-</u>	<u>48,199</u>	<u>48,199</u>
Non-programmed charges	<u>43,716</u>	<u>-</u>	<u>43,716</u>	<u>43,716</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, 2017**

	<b>Special Revenue Funds</b>			<b>Total Non-major Governmental Funds</b>
	<b>Federal Grants</b>	<b>Individual Schools</b>	<b>Total Special Revenue Funds</b>	
Capital outlay:				
Real property and buildings	-	-	-	244,847
Buses and motor vehicles	-	-	-	448,490
Total	-	-	-	693,337
Debt service	-	-	-	122,507
<b>Total expenditures</b>	<b>1,100,263</b>	<b>391,160</b>	<b>1,491,423</b>	<b>2,307,267</b>
Excess of revenues over (under) expenditures	-	3,310	3,310	(431,966)
<b>Other financing sources (uses):</b>				
Installment purchase obligation issued	-	-	-	333,231
Capital contribution	-	-	-	106,719
Total other financing sources (uses)	-	-	-	439,950
Net change in fund balances	-	3,310	3,310	7,984
Fund balances, beginning	-	177,736	177,736	16,224
Fund balances, ending	<b>\$ -</b>	<b>\$ 181,046</b>	<b>\$ 181,046</b>	<b>\$ 24,208</b>

**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, 2017**

	<b>2017</b>		<b>Variance</b>
	<b>Budget</b>	<b>Actual</b>	<b>Positive (Negative)</b>
<b>Revenues</b>			
U. S. Government	\$ 1,306,163	\$ 1,100,263	\$ (205,900)
<b>Expenditures:</b>			
Instructional services			
Regular instructional	51,932	50,617	1,315
Special populations	610,548	606,670	3,878
Alternative programs	344,721	335,593	9,128
School-based support	18,854	15,468	3,386
Total	1,026,055	1,008,348	17,707
System-wide support services			
Support and development	48	48	-
Alternative programs and services			
support and development	1,510	1,510	-
Operational support	4,643	4,643	-
Financial and human resources	19,579	19,579	-
Policy, leadership, and public relations	22,753	22,419	334
Total	48,533	48,199	334
Ancillary services	-	-	-
Non-programmed charges	231,575	43,716	187,859
Total expenditures	1,306,163	1,100,263	205,900
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>Fund balance, beginning</b>		<b>-</b>	
<b>Fund balance, ending</b>		<b>\$ -</b>	

**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, 2017**

	2017		Variance
	Budget	Actual	Positive (Negative)
<b>Revenues</b>			
Gates County:			
Appropriation from county	\$ 200,000	\$ 200,000	\$ -
Total Gates County	200,000	200,000	-
State of North Carolina:			
State appropriations-buses	59,392	122,507	63,115
Other:			
Interest earned on investments	92	107	15
Sales tax refund	1,368	1,368	-
Disposition of fixed assets	5,000	5,000	-
Total other	6,460	6,475	15
<b>Total revenues</b>	<b>265,852</b>	<b>328,982</b>	<b>63,130</b>
<b>Expenditures:</b>			
Capital Outlay:			
Land and buildings	197,920	189,951	7,969
Vehicles	341,771	341,771	-
Debt service:			
Principal	59,392	122,507	(63,115)
<b>Total expenditures</b>	<b>599,083</b>	<b>654,229</b>	<b>(55,146)</b>
Excess of revenues over expenditures	(333,231)	(325,247)	(7,984)
<b>Other financing sources</b>			
Installment purchase obligation	333,231	333,231	-
Total	333,231	333,231	-
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>7,984</b>	<b>\$ 7,984</b>
<b>Non-budgeted reconciling items:</b>			
County appropriation		54,896	
Capital outlay - Land and Buildings		(54,896)	
Capital contribution - Fuel Truck		106,719	
Capital outlay - Vehicles		(106,719)	
<b>Fund balance, beginning</b>		16,224	
<b>Fund balance, ending</b>		<b>\$ 24,208</b>	

**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, 2017**

	<b>2017</b>		<b>Variance</b>
	<b>Budget</b>	<b>Actual</b>	<b>Positive (Negative)</b>
Operating revenues, food sales	\$ 292,034	\$ 207,071	\$ (84,963)
Operating expenditures:			
Business support services:			
Purchase of food	-	247,705	-
Donated commodities	-	60,605	-
Salaries and benefits	-	534,829	-
Indirect costs	-	3,765	-
Materials and supplies	-	16,770	-
Contracted services	-	42,498	-
Travel	-	1,414	-
Other	-	5,431	-
Total operating expenditures	1,092,639	913,017	179,622
Operating loss	(800,605)	(705,946)	94,659
Nonoperating revenues (expenditures):			
Federal reimbursements	614,882	533,655	(81,227)
Federal commodities	54,940	60,605	5,665
Sales tax refund	130	241	111
Interest earned	16	15	(1)
Indirect cost not paid	96,366	-	(96,366)
Depreciation expense	(11,000)	-	11,000
Total nonoperating revenues (expenditures)	755,334	594,516	(160,818)
Excess of revenues over (under) expenditures before other financing sources	(45,271)	(111,430)	(66,159)
Other financing sources:			
Transfer from other funds	45,271	59,672	14,401
Total other financing sources	45,271	59,672	14,401
Excess of revenues and other sources over (under) expenditures	\$ -	(51,758)	\$ (51,758)
Reconciliation of modified accrual to full accrual:			
Reconciling items:			
Depreciation		(9,401)	
Net pension liability		(127,486)	
Deferred outflows - pension		113,392	
Deferred inflows - pension		5,552	
Decrease in inventory		18,265	
Decrease in vacation pay		3,793	
Change in net position (full accrual)		\$ (47,643)	



**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, 2017**

	2017		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Child care fees	\$ 198,913	\$ 206,866	\$ 7,953
Other operating revenues	11,074	11,295	221
Total revenues	<u>209,987</u>	<u>218,161</u>	<u>8,174</u>
Expenditures:			
Regular community service:			
Salaries and benefits	179,186	179,186	-
Purchase of food	18,628	19,313	(685)
Materials and supplies	11,136	6,746	4,390
Contracted services	544	544	-
Other	493	524	(31)
Total expenditures	<u>209,987</u>	<u>206,313</u>	<u>3,674</u>
Revenues over expenditures	<u>\$ -</u>	<u>11,848</u>	<u>\$ 11,848</u>
Reconciliation of modified accrual to full accrual:			
Reconciling items:			
Bad debt expense		(1,468)	
Net pension liability		(72,655)	
Deferred outflows - pension		47,731	
Deferred inflows - pension		(4,846)	
Decrease in vacation pay		789	
Change in net position (full accrual)		<u>\$ (18,601)</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, 2017, 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 11, 2017.

**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.

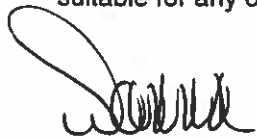
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit I did not identify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

 Steven H. Wilborne, CPA PC.

Edenton, North Carolina  
October 11, 2017

# DONNA H. WINBORNE, CPA, P.C.

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

## **Report on Compliance With Requirements Applicable to Each Major Federal Program and 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, 2017. 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, 2017.

#### **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

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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.

 Susan H. Wilber, CPA, PC.

Edenton, North Carolina  
October 11, 2017

**DONNA H. WINBORNE**, CPA, P.C.  
CERTIFIED PUBLIC ACCOUNTANT · ELIZABETH CITY, NC · EDENTON, NC

**Report on Compliance with Requirements Applicable to Each Major State Program and 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, 2017. 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, 2017.

**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

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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.

 Susan H. Wilborne, CPA PC

Edenton, North Carolina  
October 11, 2017



**Gates County Board of Education, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2017**

<b>Section I. Summary of Auditor's Results</b>
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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>
84.010	Title I Grants to Local Educational Agencies

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, 2017**

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

**State Awards**

Internal control over major State programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant Deficiency(ies) identified ☐ yes ☒ 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 ☒ no

Identification of major State programs:

Program Name  
State Public School Fund

**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, 2017**

No items to report.

**Gates County Board of Education, North Carolina  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2017**

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, 2017**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
<b>Federal Grants:</b>			
<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	60,605
Non-Cash Assistance			60,605
<b>Cash Assistance</b>			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553	PRC 035	\$ 171,957
National School Lunch Program	10.555	PRC 035	355,920
Summer Food Service Program for Children	10.559	PRC 035	3,075
Total Cash Assistance			530,952
Total Child Nutrition Cluster:			591,557
Total School Nutrition Program (Note 3)			591,557
<b>Cash Assistance</b>			
Child and Adult Care Food Program	10.558		9,428
Total U. S. Department of Agriculture			600,985
<u>U.S. Department of Education</u>			
<b>Cash Assistance</b>			
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	359,977
Total Title I Grants for Local Education Agencies (Title I)			359,977
<u>Special Education Cluster:</u>			
Special Education - Grants to States (IDEA, Part B) - Education of the Handicapped	84.027	PRC 060	446,653
IDEA - Children with Disabilities - Risk Pool	84.027	PRC 114	136,330
IDEA VI-B Special Needs Targeted Assistance	84.027	PRC 118	8,773
IDEA VI-B Special Education State Improvement Grant	84.323	PRC 082	4,545
Special Education - Preschool Grants (IDEA Preschool) - Preschool Handicapped	84.173	PRC 049	28,563
IDEA - Targeted Assistance for Preschool Federal Grant	84.173	PRC 119	9,673
Total Special Education Cluster:			634,537
Career and Technical Education - Capacity Building Grant	84.048	PRC 017	21,849
Total Career and Technical Education - Basic Grants			21,849
Improving Teacher Quality State Grants	84.367	PRC 103	52,279
Rural Education	84.358	PRC 109	31,620
Total U. S. Department of Education			1,100,262
Total federal assistance			1,701,247

**Gates County Board of Education, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2017**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
<b>State Grants:</b>			
Cash Assistance			
<u>N. C. Department of Public Instruction:</u>			
State Public School Fund			\$ 12,075,892
Driver Training - SPSF		PRC 012	27,986
School Technology Fund - SPSF		PRC 015	49,706
Vocational Education			
- State Months of Education		PRC 013	730,383
- Program Support Funds		PRC 014	57,591
State Breakfast			2,703
<u>N. C. Arts Council - Department of Cultural Resources:</u>			
Cultural Resources Grant			8,679
<u>N. C. Department of Health and Human Services:</u>			
School Nurse Grant			108,641
Division of Child Development and Early Education:			
NC Pre-Kindergarten Program			168,847
<u>Department of Juvenile Justice:</u>			
Passed-through Gates County:			
Juvenile Crime Prevention Program			42,793
Non-Cash Assistance			
<u>N. C. Department of Public Instruction:</u>			
School Buses Appropriation			333,231
Textbooks		PRC 130	7,546
Total State Assistance			13,613,998
Total federal and State Assistance			\$ 15,315,245

**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, 2017. 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