

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

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

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

## **List of Principal Officials**

**June 30, 2013**

### **BOARD OF EDUCATION**

G. Douglas Lilley, Chairman

Glendale P. Boone, Sr. Vice-Chairman

Claire Whitehurst

Ray Felton

Leslie S. Byrum

### **OFFICE OF THE SUPERINTENDENT**

Dr. Phillip Barry Williams  
Superintendent

Rube Blanchard  
Finance Officer

### **INDIVIDUAL SCHOOLS**

#### **Principals**

Vivian Goldsby  
Buckland Elementary School

Sallie Ryan  
Gateville Elementary School

Jennifer Hill  
T. S. Cooper Elementary School

Tammy Boone  
Central Middle School

Tammi Ward  
Gates County High School

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

## **Table of Contents June 30, 2013**

	<u>Page</u>	<u>Exhibit</u>
<b>FINANCIAL SECTION</b>		
<b>Independent Auditors' Report</b>	1-3	
<b>Management's Discussion and Analysis</b>	4-11	
<b>Basic Financial Statements:</b>		
<b>Government-wide Financial Statements:</b>		
Statement of Net Position	12	1
Statement of Activities	13	2
<b>Fund Financial Statements:</b>		
Balance Sheet - Governmental Funds	14	3
Reconciliation of the Balance Sheet to the Statement of Net Position	14	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15	4
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16	5
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Major Special Revenue Funds	17-18	6
Statement of Net Position - Proprietary Funds	19	7
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	20	8
Statement of Cash Flows - Proprietary Funds	21-22	9
Notes to Financial Statements	23-36	

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

## **Table of Contents**

**June 30, 2013**

	<u>Page</u>	<u>Exhibit</u>
<b>Combining and Individual Fund Statements and Schedules:</b>		
General Fund:		
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual	37	
Combining Balance Sheet		
Nonmajor Governmental Funds	38	
Combining Statement of Revenues, Expenditures and Changes in Fund Balance		
Nonmajor Governmental Funds	39-41	
Federal Grants Fund:		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	42	
Other Specific Revenue Fund:		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	43-44	
Capital Outlay Fund:		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	45	
<b>Enterprise Funds:</b>		
Food Service Fund:		
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	46	
Child Care Fund:		
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	47	
<b>COMPLIANCE SECTION</b>		
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	A-1	
Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act	A-3	
Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act	A-5	
Schedule of Findings and Questioned Costs	A-8	
Corrective Action Plan	A-12	
Summary Schedule of Prior Audit Findings	A-13	
Schedule of Expenditures of Federal and State Awards	A-14	



## DOUGLAS A. HOLLOWELL P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

1880 WEST CITY DRIVE  
P.O. BOX 1387  
ELIZABETH CITY, NORTH CAROLINA 27906  
TELEPHONE: (252) 338-8021  
1-888-825-8059  
FAX (252) 338-4148

1389 NORTH BROAD STREET  
P.O. BOX 567  
EDENTON, NORTH CAROLINA 27932  
TELEPHONE: (252) 482-8461  
FAX (252) 482-4921

DOUGLAS A. HOLLOWELL, C.P.A.  
DONNA HOLLOWELL WINBORNE, C.P.A.

### Independent Auditors' Report

To the Members of the Board  
Gates County Board of Education  
Gatesville, North Gates

#### **Report on the Financial Statements**

We have audited 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, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise of 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 statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### MEMBERS OF:

THE AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

THE VIRGINIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

THE NORTH CAROLINA  
ASSOCIATION OF CERTIFIED  
PUBLIC ACCOUNTANTS

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gates County Board of Education as of June 30, 2013, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and State Public School 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 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

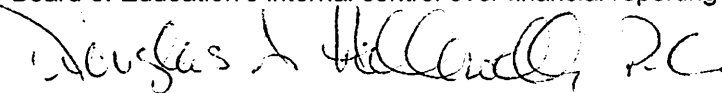
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gates County Board of Education's basic financial statements. The introductory information, combining and individual fund financial statements, and budgetary schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements budgetary 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 financial statements. Such information has been subjected to the auditing procedures in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, and the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2013 on our consideration of the Gates County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Gates County Board of Education's internal control over financial reporting and compliance.



Elizabeth City, North Carolina  
October 9, 2013

## **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, 2013. This information should be read in conjunction with the audited financial statements included in this report.

### ***Financial Highlights***

- The Board saw a decrease of approximately 3.3% in the district's ADM (average daily membership) from the previous year.

### ***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, 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 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, proprietary funds, and fiduciary fund. 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 and fiduciary 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 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 assets and the total of liabilities and deferred inflows – 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 three 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, 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 exceeded liabilities and deferred inflows of resources by \$13,441,691 as of June 30, 2013. The largest component of net position is net investment in capital assets, of \$12,831,136. It comprises 95.46% of the total net position.

Following is a summary of the Statement of Net Position:

Table I						
Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current assets	\$ 1,749,331	\$ 1,716,956	\$ 338,162	\$ 341,125	\$ 2,087,493	\$ 2,058,081
Capital assets	12,782,233	13,301,845	48,903	59,083	12,831,136	13,360,928
Total assets	14,531,564	15,018,801	387,065	400,208	14,918,629	15,419,009
Current liabilities	513,030	1,367,447	500	500	513,530	1,367,947
Long-term liabilities	924,468	-	36,340	28,163	960,808	28,163
Total liabilities	1,437,498	1,367,447	36,840	28,663	1,474,338	1,396,110
Deferred inflows of resources	2,600	-	-	-	2,600	-
Net investment in capital assets	12,782,233	13,263,971	48,903	59,083	12,831,136	13,323,054
Restricted net position	257,713	225,056	-	-	257,713	225,056
Unrestricted net position	51,520	162,327	301,322	312,462	352,842	474,789
Total net position	\$ 13,091,466	\$ 13,651,354	\$ 350,225	\$ 371,545	\$ 13,441,691	\$ 14,022,899

Note that net position decreased during the year, indicating an improvement in the financial condition of the Board. The decrease in net position (4.15%) was largely because of the decrease in capital assets. Unrestricted net position increased in the business-type activities primarily because of an increase in current assets in the School Food Service fund. 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	Governmental Activities	Business-type Activities	Business-type Activities	Total Primary Government	Total Primary Government
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 323,140	\$ 302,172	\$ 491,808	\$ 492,711	\$ 814,948	\$ 794,883
Operating grants and contributions	12,838,405	13,024,309	660,136	616,089	13,498,541	13,640,398
Capital grants and contributions	118,262	-	-	-	118,262	-
<b>General revenues:</b>						
Other revenues	5,413,281	5,514,803	110	116	5,413,391	5,514,919
<b>Total revenues</b>	<b>18,693,088</b>	<b>18,841,284</b>	<b>1,152,054</b>	<b>1,108,916</b>	<b>19,845,142</b>	<b>19,930,200</b>
<b>Expenses</b>						
<b>Governmental activities:</b>						
Instructional services	13,591,876	14,129,840	-	-	13,591,876	14,129,840
System-wide support services	4,911,511	4,426,893	-	-	4,911,511	4,426,893
Ancillary services	211,879	207,757	-	-	211,879	207,757
Non-programmed charges	(2,715)	(3,557)	-	-	(2,715)	(3,557)
Interest on long-term debt	-	-	-	-	-	-
Depreciation	485,591	481,466	-	-	485,591	481,466
<b>Business-type activities:</b>						
Food service	-	-	1,017,455	965,888	1,017,455	965,888
Child care	-	-	210,753	180,266	210,753	180,266
<b>Total expenses</b>	<b>19,198,142</b>	<b>19,242,399</b>	<b>1,228,208</b>	<b>1,146,154</b>	<b>20,426,350</b>	<b>20,388,553</b>
Extraordinary item - Asset impairment loss	-	-	-	-	-	-
Transfers in (out)	(54,834)	(68,477)	54,834	68,477	-	-
<b>Increase in net position</b>	<b>(559,888)</b>	<b>(469,592)</b>	<b>(21,320)</b>	<b>31,239</b>	<b>(581,208)</b>	<b>(438,353)</b>
<b>Net position, beginning</b>	<b>13,651,354</b>	<b>14,120,946</b>	<b>371,545</b>	<b>340,306</b>	<b>14,022,899</b>	<b>14,461,249</b>
<b>Net position, ending</b>	<b>\$ 13,091,466</b>	<b>\$ 13,651,354</b>	<b>\$ 350,225</b>	<b>\$ 371,545</b>	<b>\$ 13,441,691</b>	<b>\$ 14,022,896</b>

Total governmental activities generated revenues of \$18.6 million while expenses in this category totaled \$19.1 million for the year ended June 30, 2013. Comparatively, revenues were \$18.8 million and expenses totaled \$19.2 million for the year ended June 30, 2012. After transfers to the business-type activities, the decrease in net position stands at \$559,888 at June 30, 2013, compared to \$469,592 in 2012. Instructional services expenses comprised 70.8% of total governmental-type expenses while system-wide support services made up 25.58% of those expenses for 2013. County funding comprised 15.83% of total governmental revenue while unrestricted State funding added another 13.44% for 2013. In 2012, county funding was 15% and unrestricted State funding added 13%. Much of the remaining 70.73% of total governmental revenue for 2013 consists of restricted State and federal money. This revenue represented 72% of total revenue in 2012. Business-type activities generated revenue of \$1,152,054 and expenses of \$1,228,208. Net position decreased in the business-type activities by \$21,320, after transfers to the governmental activities of \$54,834.

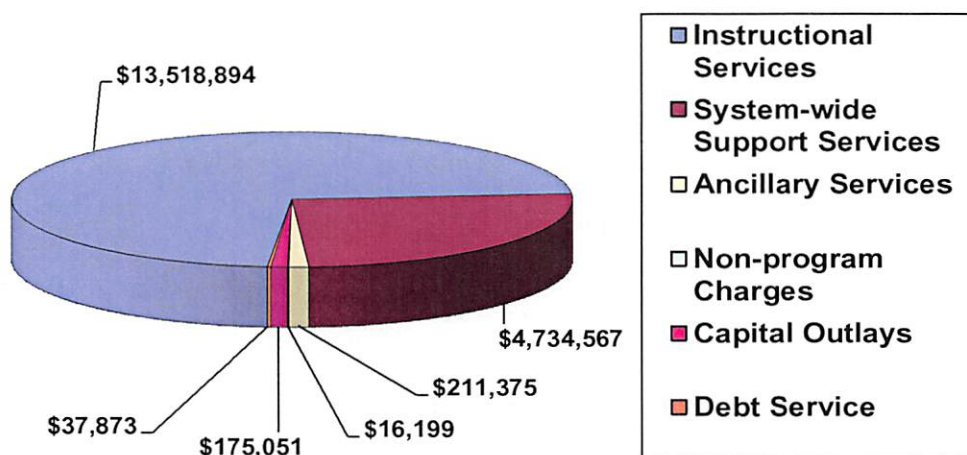
## ***Financial Analysis of the Board's Funds***

**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 \$1,233,701, a \$16,384 increase over last year. All of the Board's governmental funds, except for the State Public School Fund and the General Fund, had revenues and other financing sources that exceeded expenditures and other uses. Two sources of funding increased over the prior year: State funding increased approximately \$6,306 and county funding increased by \$94,000. Expenditures decreased by \$233,397 over the prior year.

**Proprietary Funds:** The Board's business-type funds showed declining performance in a year of escalating food prices. Both the School Food Service Fund and the Child Care Fund reflected decreases in net position over last year.

### **Categorization of Expenditures for Governmental Funds**



Expenditures presented on modified accrual basis of accounting.

## ***General Fund Budgetary Highlights***

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and to reduce appropriations in light of the increased

revenue estimates. Even with the increase in revenue, the Board ended the year with a small deficit. Increases in estimated revenues and corresponding increases in appropriations totaled \$3,193 in the General Fund.

### ***Capital Assets***

Capital assets decreased by \$529,792 (or 3.97%) from the previous year. This was largely due to an increase of depreciation recorded.

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	
	2013	2012	2013	2012	2013	2012
Land	\$ 53,670	\$ 53,670	\$ -	\$ -	\$ 53,670	\$ 53,670
Construction in progress	-	-	-	-	-	-
Buildings	11,921,855	12,316,154	-	-	11,921,855	12,316,154
Furniture and equipment	224,953	258,231	48,903	59,083	273,856	317,314
Vehicles and motorized equipment	581,755	673,790	-	-	581,755	673,790
Library books	-	-	-	-	-	-
Computer equipment	-	-	-	-	-	-
Total	\$ 12,782,233	\$ 13,301,845	\$ 48,903	\$ 59,083	\$ 12,831,136	#####

### ***Debt Outstanding***

During the year the Board's outstanding debt decreased by \$37,873 due to the use of installment financing to pay 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 all debt issued for school capital construction. At June 30, 2013, the only debt was issued by the State for replacement school buses, on a three year capital lease. The lease ends in 2013. The state provides the resources in the form of revenue to make the payments; however, the lease agreement is a liability of the school board who owns the vehicles.

### ***Economic Factors***

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

- The County is enjoying a low unemployment rate of 6.8%, lower than the state average of 8.9%.

### ***Requests for Information***

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

Rube F. Blanchard, Finance Officer  
Gates County Board of Education  
205 Main Street  
Gatesville, NC 2793

## **BASIC FINANCIAL STATEMENTS**



**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

**Gates County Board of Education, North Carolina**  
**Statement of Net Position**  
**June 30, 2013**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,392,113	\$ 267,817	\$ 1,659,930
Accounts receivable	-	21,215	21,215
Due from other governments	357,534	15,144	372,678
Inventories	-	33,670	33,670
Internal balances	(316)	316	-
Capital assets			
Land, improvements, and construction in progress	53,670	-	53,670
Other capital assets, net of depreciation	12,728,563	48,903	12,777,466
Total capital assets	12,782,233	48,903	12,831,136
Total assets	14,531,564	387,065	14,918,629
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	182,688	-	182,688
Accrued salaries and wages payable	330,342	-	330,342
Customer deposits	-	500	500
Long term liabilities:			
Due within one year	924,468	36,340	960,808
Total liabilities	1,437,498	36,840	1,474,338
<b>DEFERRED INFLOWS OF RESOURCES</b>	2,600	-	2,600
<b>NET POSITION</b>			
Net investment in capital assets	12,782,233	48,903	12,831,136
Restricted for:			
Stabilization by State Statute	41,837	-	41,837
Individual schools	149,764	-	149,764
School capital outlay	66,112	-	66,112
Unrestricted (deficit)	51,520	301,322	352,842
Total net position	\$ 13,091,466	\$ 350,225	\$ 13,441,691

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, 2013**  
**Program Revenues**

Exhibit 2

Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
<b>Governmental Activities:</b>							
Instructional services							
Regular instructional	\$ 8,146,007	\$ 16,388	\$ 6,557,579	\$ -	\$ (1,572,040)	\$ -	\$ (1,572,040)
Special populations	1,550,207	-	1,529,325	-	(20,882)	-	(20,882)
Alternative programs	960,846	-	883,940	-	(76,906)	-	(76,906)
School leadership	1,000,830	-	534,201	-	(466,629)	-	(466,629)
Co-curricular	110,753	-	-	-	(110,753)	-	(110,753)
School-based support	1,823,233	300,002	946,321	-	(576,910)	-	(576,910)
System-wide support services							
Support and development	240,867	-	167,196	-	(73,671)	-	(73,671)
Special population support and development	112,387	-	110,755	-	(1,632)	-	(1,632)
Alternative programs and support and development	21,754	-	21,754	-	-	-	-
Technology support	77,429	-	43,351	-	(34,078)	-	(34,078)
Operational support	3,266,124	6,750	1,353,932	118,262	(1,787,180)	-	(1,787,180)
Financial and human resource	606,716	-	177,472	-	(429,244)	-	(429,244)
Accountability	96,723	-	3,832	-	(92,891)	-	(92,891)
System-wide pupil relations	118,923	-	21,997	-	(96,926)	-	(96,926)
Policy, leadership and public relations	370,588	-	181,899	-	(188,689)	-	(188,689)
Ancillary services	211,879	-	259,498	-	47,619	-	47,619
Non-programmed charges	(2,715)	-	45,353	-	48,068	-	48,068
Unallocated depreciation expense	485,591	-	-	-	(485,591)	-	(485,591)
Total governmental activities	<u>19,198,142</u>	<u>323,140</u>	<u>12,838,405</u>	<u>118,262</u>	<u>(5,918,335)</u>	<u>-</u>	<u>(5,918,335)</u>
<b>Business-type activities:</b>							
School food service	1,017,455	291,392	660,136	-	-	(65,927)	(65,927)
Child care	210,753	200,416	-	-	-	(10,337)	(10,337)
Total business-type activities	<u>1,228,208</u>	<u>491,808</u>	<u>660,136</u>	<u>-</u>	<u>-</u>	<u>(76,264)</u>	<u>(76,264)</u>
<b>Total primary government</b>	<u>\$ 20,426,350</u>	<u>\$ 814,948</u>	<u>\$ 13,498,541</u>	<u>\$ 118,262</u>	<u>(5,918,335)</u>	<u>(76,264)</u>	<u>(5,994,599)</u>
<b>General revenues:</b>							
Unrestricted county appropriations - operating					2,604,079	-	2,604,079
Unrestricted county appropriations - capital					175,000	-	175,000
Unrestricted State appropriations - operating					2,475,305	-	2,475,305
Unrestricted State appropriations - capital					37,873	-	37,873
Investment earnings, unrestricted					1,588	110	1,698
Miscellaneous, unrestricted					119,436	-	119,436
<b>Transfers</b>					<u>(54,834)</u>	<u>54,834</u>	<u>-</u>
Total general revenues and transfers					<u>5,358,447</u>	<u>54,944</u>	<u>5,413,391</u>
Change in net position					<u>(559,888)</u>	<u>(21,320)</u>	<u>(581,208)</u>
Net position, beginning					<u>13,651,354</u>	<u>371,545</u>	<u>14,022,899</u>
Net position, ending					<u>\$ 13,091,466</u>	<u>\$ 350,225</u>	<u>\$ 13,441,691</u>

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, 2013**

**Exhibit 3**

	<b>Major Funds</b>			
	<b>General</b>	<b>State Public School</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,163,997	\$ -	\$ 228,116	\$ 1,392,113
Due from other funds	5,564	-	-	5,564
Due from other governments	-	299,164	58,370	357,534
Total assets	<u>\$ 1,169,561</u>	<u>\$ 299,164</u>	<u>\$ 286,486</u>	<u>\$ 1,755,211</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 182,688	\$ -	\$ -	\$ 182,688
Accrued salaries and wages payable	4,327	299,164	26,852	330,343
Due to other funds	-	-	5,879	5,879
Total liabilities	<u>187,015</u>	<u>299,164</u>	<u>32,731</u>	<u>518,910</u>
Deferred inflows of resources:	<u>800</u>	<u>-</u>	<u>1,800</u>	<u>2,600</u>
<b>Fund balances:</b>				
Restricted:				
Stabilization by State Statute	5,564	-	36,274	41,838
School Capital Outlay	-	-	66,112	66,112
Individual Schools	-	-	149,764	149,764
Committed			12,473	12,473
Unassigned	976,182	-	(12,668)	963,514
Total fund balances	<u>981,746</u>	<u>-</u>	<u>251,956</u>	<u>1,233,701</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,169,561</u>	<u>\$ 299,164</u>	<u>\$ 286,486</u>	

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

Capital assets used in governmental activities are financial resources and are therefore not reported in the funds.

12,782,233

Some liabilities, including bonds payable and interest, are not due in the current period and are not reported in the funds (Note 4).

(924,468)

Net position of governmental assets

\$ 13,091,466

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 Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2013**

**Exhibit 4**

	<b>Major Funds</b>			
	<b>General</b>	<b>State Public School</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Fund</b>
<b>REVENUES</b>				
State of North Carolina	\$ -	\$ 13,193,093	\$ 373,597	\$ 13,566,690
Gates County	2,604,079	-	367,000	2,971,079
U. S. Government	-	-	1,349,444	1,349,444
Other	51,193	-	826,769	877,962
Total revenues	<u>2,655,272</u>	<u>13,193,093</u>	<u>2,916,810</u>	<u>18,765,175</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instructional services				
Regular instructional	175,836	7,680,012	239,336	8,095,184
Special populations	224	935,816	607,342	1,543,382
Alternative programs	1,536	314,596	643,848	959,981
School leadership	8,097	937,313	40,192	985,602
Co-curriculum	110,753	-	-	110,753
School-based support	29,932	1,182,191	611,869	1,823,992
System-wide support services:				
Support and development	19,890	193,637	19,320	232,847
Special population support and development	-	109,832	1,944	111,776
Alternative programs and services support and development	-	-	21,754	21,754
Technological support	46,487	43,351	1,036	90,874
Operational support	1,736,800	1,153,662	201,304	3,091,766
Financial and human resources	274,088	316,512	8,189	598,789
Accountability	575	94,459	1,036	96,070
System-wide pupil support	87,556	-	30,194	117,750
Policy, leadership and public relations	156,303	182,332	34,306	372,941
Ancillary services	9,252	(5,193)	207,316	211,375
Non-programmed charges	-	(261)	16,460	16,199
<b>Capital outlay:</b>				
Real property and buildings	-	-	165,260	165,260
Buses and motor vehicles	-	-	9,791	9,791
<b>Debt service:</b>				
Principal	-	-	37,873	37,873
Total expenditures	<u>2,657,329</u>	<u>13,138,259</u>	<u>2,898,369</u>	<u>18,693,957</u>
Excess (deficiency) of revenues over expenditures	<u>(2,057)</u>	<u>54,834</u>	<u>18,441</u>	<u>71,217</u>
<b>Other financing sources (uses):</b>				
Transfer (to) from other funds	<u>(8,458)</u>	<u>(54,834)</u>	<u>8,458</u>	<u>(54,834)</u>
Total other financing sources (uses)	<u>(8,458)</u>	<u>(54,834)</u>	<u>8,458</u>	<u>(54,834)</u>
Net change in fund balance	(10,515)	-	26,899	16,384
Fund balances-beginning	992,261	-	225,056	1,217,317
Fund balances-ending	<u>\$ 981,746</u>	<u>\$ -</u>	<u>\$ 251,955</u>	<u>\$ 1,233,701</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**  
**Governmental Funds**  
**For the Year Ended June 30, 2013**

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

Net changes in fund balances - total governmental funds	\$	16,384
---	----	--------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

(519,612)

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 transactions has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

37,873

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.

Compensated absences

(94,533)

Total changes in net position of governmental activities

\$ (559,888)

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 Balance - Budget and Actual**  
**General Fund and Annually Budgeted Major Special Revenue Fund**  
**For the Year Ended June 30, 2013**

	General Fund			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Gates County	\$ 2,592,079	\$ 2,604,079	\$ 2,604,079	\$ -
Other	60,000	51,193	51,193	-
Total revenues	<u>2,652,079</u>	<u>2,655,272</u>	<u>2,655,272</u>	<u>-</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instructional services				
Regular instructional	132,502	175,836	175,836	-
Special populations	-	224	224	-
Alternative programs	9,302	1,536	1,536	-
School leadership	6,500	8,097	8,097	-
Co-curricular	112,988	110,753	110,753	-
School-based support	12,955	29,932	29,932	-
System-wide support services:				
Support and development	25,000	19,890	19,890	-
Technical support	-	46,487	46,487	-
Operational support	1,697,874	1,732,106	1,736,800	(4,694)
Financial and human resources	359,377	274,088	274,088	-
Accountability	220	575	575	-
System-wide pupil support	84,038	87,556	87,556	-
Policy, leadership and public relations	201,948	158,940	156,303	2,637
Ancillary services	<u>9,375</u>	<u>9,252</u>	<u>9,252</u>	<u>-</u>
Total expenditures	<u>2,652,079</u>	<u>2,655,272</u>	<u>2,657,329</u>	<u>(2,057)</u>
Revenues over (under) expenditures	-	-	(2,056)	(2,056)
Other financing sources (uses):				
Transfer to other funds	<u>-</u>	<u>-</u>	<u>(8,458)</u>	<u>(8,458)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(10,515)</u>	<u>\$ (10,515)</u>
Fund balances, beginning of year			992,261	
Fund balances, end of year			<u>\$ 981,746</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 Balance - Budget and Actual**  
**General Fund and Annually Budgeted Major Special Revenue Fund**  
**For the Year Ended June 30, 2013**

	State Public School Fund			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
State of North Carolina	\$ 13,263,316	\$ 13,496,294	\$ 13,193,093	\$ (303,201)
Total revenues	<u>13,263,316</u>	<u>13,496,294</u>	<u>13,193,093</u>	<u>(303,201)</u>
<b>Expenditures:</b>				
Current:				
Instructional services				
Regular instructional	8,061,702	7,917,421	7,680,012	237,409
Special populations	942,709	943,062	935,816	7,246
Alternative programs	344,415	314,596	314,596	-
School leadership	968,785	981,961	937,313	44,648
School-based support	1,200,063	1,196,088	1,182,191	13,897
System-wide support services:				
Support and development	209,311	193,637	193,637	-
Special populations support	105,663	109,832	109,832	-
Technical support	-	43,351	43,351	-
Operational support	964,368	1,153,662	1,153,662	-
Financial and human resources	172,356	316,512	316,512	-
Accountability	84,733	94,459	94,459	-
Policy, leadership and public relations	155,397	182,332	182,332	-
Ancillary services	-	-	(5,193)	5,193
Non-programmed charges	-	(261)	(261)	-
Total expenditures	<u>13,209,502</u>	<u>13,446,652</u>	<u>13,138,259</u>	<u>308,393</u>
Revenues over (under) expenditures	<u>53,814</u>	<u>49,642</u>	<u>54,834</u>	<u>(5,192)</u>
Other financing sources (uses):				
Transfer to other funds	(53,814)	(49,642)	(54,834)	5,192
Total other financing sources (uses)	<u>(53,814)</u>	<u>(49,642)</u>	<u>(54,834)</u>	<u>5,192</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances, beginning of year			-	
Fund balances, end of year			<u>\$ -</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, 2013

	Enterprise Funds		
	Major Fund School Food Service	Nonmajor Fund Child Care	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 267,817	\$ -	\$ 267,817
Accounts receivable	3,015	18,200	21,215
Due from other governments	15,144	-	15,144
Due from other funds	-	316	316
Inventories	33,670	-	33,670
Total current assets	<u>319,646</u>	<u>18,516</u>	<u>338,162</u>
Noncurrent assets:			
Capital assets:			
Food service equipment, net	48,903	-	48,903
Total noncurrent assets	<u>48,903</u>	<u>-</u>	<u>48,903</u>
Total assets	<u>\$ 368,549</u>	<u>\$ 18,516</u>	<u>\$ 387,065</u>
<b>LIABILITIES</b>			
Current liabilities:			
Compensated absences	\$ 36,340	\$ -	\$ 36,340
Parent deposits	-	500	500
Total current liabilities	<u>36,340</u>	<u>500</u>	<u>36,840</u>
<b>NET POSITION</b>			
Net investment in capital assets	48,903	-	48,903
Unrestricted	283,306	18,016	301,322
Total net position	<u>332,209</u>	<u>18,016</u>	<u>350,225</u>
Total liabilities and net position	<u>\$ 368,549</u>	<u>\$ 18,516</u>	<u>\$ 387,065</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, 2013**

	Enterprise Fund		
	Major Fund	Nonmajor Fund	Total
	School Food Service	Child Care	
<b>OPERATING REVENUES</b>			
Food sales	\$ 291,392	\$ -	\$ 291,392
Child care fees	-	200,416	200,416
Total operating revenues	<u>291,392</u>	<u>200,416</u>	<u>491,808</u>
<b>OPERATING EXPENSES</b>			
Food cost:			
Purchase of food	317,125	20,351	337,476
Donated commodities	51,757	-	51,757
Salaries and benefits	500,226	161,011	661,237
Indirect costs	78,645	-	78,645
Materials and supplies	41,788	4,765	46,553
Depreciation	10,179	-	10,179
Contracted services	14,146	-	14,146
Travel	463	-	463
Bad debt	-	24,484	24,484
Other	3,126	142	3,268
Total operating expenses	<u>1,017,455</u>	<u>210,753</u>	<u>1,228,208</u>
Operating income (loss)	<u>(726,063)</u>	<u>(10,337)</u>	<u>(736,400)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal reimbursements	582,904	-	582,904
Federal commodities	51,757	-	51,757
Indirect costs	25,475	-	25,475
Interest earned	110	-	110
Total nonoperating revenues (expenses)	<u>660,246</u>	<u>-</u>	<u>660,246</u>
Income (loss) before contributions and transfers	(65,817)	(10,337)	(76,154)
Transfers from other funds	<u>54,834</u>	<u>-</u>	<u>54,834</u>
Change in net position	(10,983)	(10,337)	(21,320)
Total net position - beginning	<u>343,192</u>	<u>28,353</u>	<u>371,545</u>
Total net position - ending	<u>\$ 332,209</u>	<u>\$ 18,016</u>	<u>\$ 350,225</u>

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

**Gates County Board of Education, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2013**

**Exhibit 9**

	Enterprise Funds		
	Major Fund	Non-Major Fund	Total
	School Food Service	Child Care	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 292,392	\$ 216,634	\$ 509,026
Cash paid for goods and services	(440,358)	(49,742)	(490,100)
Cash paid to employees for services	(437,215)	(161,011)	(598,226)
Net cash provided (used) by operating activities	(585,181)	5,881	(579,300)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Decrease (increase) in due from other funds	-	(5,881)	(5,881)
Federal reimbursements	587,242	-	587,242
Net cash provided (used) by noncapital financing activities	587,242	(5,881)	581,361
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	110	-	110
Net increase (decrease) in cash and cash equivalents	2,171	-	2,171
Balances-beginning of the year	265,646	-	265,646
Balances-end of the year	\$ 267,817	\$ -	\$ 267,817
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (726,063)	\$ (10,337)	\$ (736,400)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	10,179	-	10,179
Donated commodities consumed	51,757	-	51,757
Salaries paid by special revenue fund	54,834	-	54,834
Indirect costs not paid	25,475	-	25,475
Changes in assets and liabilities:			
(Increase) decrease in accounts receivables	1,000	16,218	17,218
(Increase) decrease in inventory	(10,540)	-	(10,540)
Increase (decrease) in compensated absences	8,177	-	8,177
Total adjustments	140,882	16,218	157,100
Net cash provided (used) by operating activities	\$ (585,181)	\$ 5,881	\$ (579,300)

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, 2013**

---

**Exhibit 9**

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

The State Public School Fund paid salaries and benefits of \$54,834 to administrative personnel of the School Food Service Fund during the year. The payment is reflected as a transfer in and an operating expense on Exhibit 8.

Indirect costs of \$25,475 that would be due to the General Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibits 8.

The School Food Service Fund received donated commodities with a value of \$51,757 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$51,757 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 8.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2013**

---

**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 display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. 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, including its fiduciary 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 nonmajor funds.

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

The Board reports the following major governmental funds:

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

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

**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2013**

---

The Board reports the following major enterprise fund:

*School Food Service Fund.* The School Food Service Fund is used to account for the food service program within the school system.

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 sixty 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. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. The superintendent is authorized by the governing Board to transfer appropriations within a fund. The superintendent may transfer amounts and objects of expenditures within a function without limitations and without a report being required. All amendments must be approved by the governing Board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.



**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2013**

---

**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.

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF).

**2. Cash and Cash Equivalents**

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and 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**

The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. 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. In addition, other items that are purchased and used in large quantities such as student desks are capitalized. 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:

**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2013**

	<u>Years</u>
Buildings and improvements	15-50
Equipment, furniture, vehicles, and library books	3-15

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

**5. Deferred inflows of resources**

In addition to liabilities the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred inflows of resources* represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has three main items that meet this criterion – grants receivable in the general fund and sales tax receivable in the Special Revenue and Capital Outlay funds.

**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, 2013 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records, of the current portion of compensated absences.

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 are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent 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:

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2013**

---

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Assets held for resale – portion of fund balance that is not an available resource because it represents the year end balance of assets held for resale, which are not spendable resources.

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]

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

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

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

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

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

**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2013**

**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 \$11,857,765 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)	\$ 24,067,685
Less - Accumulated Depreciation	<u>(11,285,452)</u>
	12,782,233

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:

Compensated Absences	<u>(924,468)</u>
Total adjustment	<u><u>\$ 11,857,765</u></u>

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 (\$576,273) as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 43,203
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.	(562,815)
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	37,873
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	
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(94,534)
	<u><u>\$ (576,273)</u></u>

**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2013**

---

10.     Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

III.     Stewardship, Compliance, and Accountability

No items to report.

IV.     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, 2013 the Board had deposits with banks with a carrying amount of \$1,659,930 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer was \$1,842,212 and \$900,966, respectively. Of these balances, \$263,996 was covered by federal depository insurance and \$1,578,216 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2013**

2. Accounts Receivable

Receivables at the government-wide level at June 30, 2013, were as follows:

	Due from other funds (internal balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ 5,564	\$ -	\$ -	\$ 5,564
Other governmental	(5,880)	357,534	-	351,654
Total governmental activities:	<u>\$ (316)</u>	<u>\$ 357,534</u>	<u>\$ -</u>	<u>\$ 357,218</u>
Business-type activities				
School Food Service	\$ -	\$ 15,144	\$ 3,015	\$ 18,159
Child Care	316	-	18,200	18,516
	<u>\$ 316</u>	<u>\$ 15,144</u>	<u>\$ 21,215</u>	<u>\$ 36,675</u>

Due from other governments consists of the following:

Governmental activities:		
State Public School Fund	\$ 299,164	Operating revenues from NC Dept of Public Instruction
Federal Grants Fund	22,096	Federal grants funds
Other Specific Revenue Fund	19,853	NC Pre-K funds
Other Specific Revenue Fund	16,421	JCPC grant funds
Total governmental activities	<u>\$ 357,534</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 15,144</u>	USDA reimbursement

**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2013**

**3. Capital Assets**

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 53,670	\$ -	\$ -	\$ 53,670
Total capital assets not being depreciated	53,670	-	-	53,670
<b>Capital assets being depreciated:</b>				
Buildings	21,647,001	-	-	21,647,001
Equipment and furniture	785,059	43,203	-	828,262
Vehicles	1,538,752	-	-	1,538,752
Total capital assets being depreciated	23,970,812	43,203	-	24,014,015
<b>Less accumulated depreciation for:</b>				
Buildings	9,330,847	394,299	-	9,725,146
Equipment and furniture	526,828	76,481	-	603,309
Vehicles	864,962	92,035	-	956,997
Total accumulated depreciation	10,722,637	562,815	-	11,285,452
Total capital assets being depreciated, net	13,248,175			12,728,563
<b>Governmental activity capital assets, net</b>	<u>\$ 13,301,845</u>			<u>\$ 12,782,233</u>
Unallocated depreciation		\$ 485,591		
Business support services		77,224		
Total		<u>\$ 562,815</u>		

	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	\$ 280,820	\$ -	\$ -	\$ 280,820
Total capital assets being depreciated	280,820	-	-	280,820
<b>Less accumulated depreciation for:</b>				
Food service equipment	221,738	10,179	-	231,917
Total accumulated depreciation	221,738	10,179	-	231,917
<b>Business-type activities capital assets, net</b>	<u>\$ 59,082</u>			<u>\$ 48,903</u>

**B. Liabilities**

**1. Pensions Plan Obligations**

**a. Teachers' and State Employees' Retirement System**

*Plan Description.* Gates County Board of Education contributes to 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 provides retirement benefits to plan members and

**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2013**

beneficiaries. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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 State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 14.23% of annual covered payroll. The contribution requirements of plan members and Gates County Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2013, 2012, and 2011, and were \$1,546,376, \$1,407,416, and \$1,198,219, respectively, equal to the required contributions for each year.

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 establish 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



**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2013**

---

pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2013, 2012, and 2011, the School Board paid all annual required contribution to the Plan for postemployment healthcare benefits of \$576,080, \$536,363, and \$558,727, respectively. These contributions represented 5.30%, 5.00%, and 4.93%, 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.

For members with five or more years of membership service as of July 31, 2007, 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

**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2013**

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. 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, 2013, 2012, and 2011, the Board paid all annual required contributions to the DIPNC for disability benefits of \$47,809, \$55,782, and \$59,594, respectively. These contributions represented 0.44%, 0.52%, and 0.52% of covered payroll, respectively.

**3. Accounts Payable**

Accounts payable as of June 30, 2013 is as follows:

	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 4,327	\$ 182,688	\$ 187,015
Other governmental	326,015	-	326,015
Total governmental activities:	<u>\$ 330,342</u>	<u>\$ 182,688</u>	<u>\$ 513,030</u>
Business-type activities:			
School Food Service	\$ -	\$ -	\$ -
Child Care	-	-	-
Total business-type activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**4. Deferred Inflows of Resources**

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

	<u>Unearned Revenue</u>
Grants not yet earned (General Fund)	\$ 800
Grants not yet earned (Other Specific Revenue Fund)	1,800
Total	<u>\$ 2,600</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

**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2013**

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.

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 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.

**6. Long-Term Liabilities**

**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 at total payments less than the purchase price.

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2013:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion
Installment purchases	\$ 37,873	\$ -	\$ 37,873	\$ -	\$ -
Compensated absences	829,935	1,278,488	1,183,955	924,468	924,468
Total	<u>\$ 867,808</u>	<u>\$ 1,278,488</u>	<u>\$ 1,221,828</u>	<u>\$ 924,468</u>	<u>\$ 924,468</u>
<i>Business-type activities:</i>					
Compensated absences	<u>\$ 28,163</u>	<u>\$ 45,109</u>	<u>\$ 36,932</u>	<u>\$ 36,340</u>	<u>\$ 36,340</u>

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

**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2013**

**C. Interfund Balances and Activities**

Transfers to/from other funds at June 30, 2013, consist of the following:

	Amount
From the General Fund to the Other Specific Revenue Fund	\$ 8,458
From the State Public School Fund to the School Food Service Fund	54,834
	<u>\$ 63,292</u>

**D. Fund Balance**

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

<b>Total fund balance - General Fund</b>	<b>\$ 981,746</b>
Less:	
Stabilization for State Statute	5,564
<b>Remaining Fund Balance</b>	<b>\$ 976,182</b>

**V. 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.

**VI. Change in Accounting Principles**

The Board implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ended June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified as Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, or Net Position.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**Gates County Board of Education, North Carolina**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2013**

	2013		Variance
	Budget	Actual	Positive (Negative)
<b>Revenues:</b>			
Gates County:			
Appropriation from county	\$ 2,604,079	\$ 2,604,079	\$ -
Other:			
Fines and forfeitures	51,193	51,193	-
<b>Total revenues</b>	<u>2,655,272</u>	<u>2,655,272</u>	<u>-</u>
<b>Expenditures:</b>			
Instructional services			
Regular instructional	175,836	175,836	-
Special population	224	224	-
Alternative programs	1,536	1,536	-
School leadership	8,097	8,097	-
Co-curricular	110,753	110,753	-
School-based support	29,932	29,932	-
<b>Total</b>	<u>326,378</u>	<u>326,378</u>	<u>-</u>
System-wide support services			
Support and development	19,890	19,890	-
Technical support	46,487	46,487	-
Operational support	1,732,106	1,736,800	(4,694)
Financial and human resources	274,088	274,088	-
Accountability	575	575	-
System-wide pupil support	87,556	87,556	-
Policy, leadership and public relations	158,940	156,303	2,637
<b>Total</b>	<u>2,319,642</u>	<u>2,321,699</u>	<u>(2,057)</u>
Ancillary services	9,252	9,252	-
<b>Total expenditures</b>	<u>2,655,272</u>	<u>2,657,329</u>	<u>(2,057)</u>
<b>Excess of revenues over expenditures</b>	<u>-</u>	<u>(2,057)</u>	<u>(2,057)</u>
<b>Other financing sources (uses):</b>			
Operating transfer in (out)	-	(8,458)	(8,458)
<b>Total</b>	<u>-</u>	<u>(8,458)</u>	<u>(8,458)</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>(10,515)</u>	<u>\$ (10,515)</u>
<b>Fund balance:</b>			
Beginning of year, July 1		992,261	
End of year, June 30		<u>\$ 981,746</u>	

**Gates County Board of Education , North Carolina**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2013**

	Special Revenue Funds			Capital Outlay Funds	Total Governmental Funds
	Federal Fund	Other Specific Revenue	Individual School		
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 12,240	\$ 149,764	\$ 66,112	\$ 228,116
Due from other governments	22,096	36,274	-	-	58,370
Total assets	<u>\$ 22,096</u>	<u>\$ 48,514</u>	<u>\$ 149,764</u>	<u>\$ 66,112</u>	<u>\$ 286,486</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accrued salaries and wages payable	\$ 22,096	\$ 4,755	\$ -	\$ -	\$ 26,852
Due to other funds	-	5,879	-	-	5,879
Total liabilities	<u>22,096</u>	<u>10,635</u>	<u>-</u>	<u>-</u>	<u>32,731</u>
Deferred inflows of resources	-	1,800	-	-	1,800
Fund balances:					
Restricted:					
Stabilization by State Statute	-	36,274	-	-	36,274
School Capital Outlay	-	-	-	66,112	66,112
Individual Schools	-	-	149,764	-	149,764
Committed by Board	-	12,473	-	-	12,473
Unassigned	-	(12,668)	-	-	(12,668)
Total fund balances	<u>-</u>	<u>36,079</u>	<u>149,764</u>	<u>66,112</u>	<u>251,955</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 22,096</u>	<u>\$ 48,514</u>	<u>\$ 149,764</u>	<u>\$ 66,112</u>	<u>\$ 286,486</u>

**Gates County Board of Education , North Carolina**  
**Combining Statement of Revenues, Expenditures, and Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2013**

	Special Revenue Funds				Capital Outlay Fund	Total Nonmajor Governmental Funds
	Federal Grants Fund	Other Specific Revenue Funds	Individual School Funds	Total Nonmajor Special Revenue Funds		
<b>Revenues:</b>						
Gates County:						
County appropriation	\$ -	\$ -	\$ -	\$ -	\$ 175,000	\$ 175,000
Appropriation for Community Center	-	192,000	-	192,000	-	192,000
Total Gates County	-	192,000	-	192,000	175,000	367,000
U. S. Government	1,300,227	49,217	-	1,349,444	-	1,349,444
State of North Carolina:						
Appropriation for buses	-	-	-	-	37,873	37,873
Other	-	335,724	-	335,724	-	335,724
Total State of North Carolina	-	335,724	-	335,724	37,873	373,597
Other revenue:						
Tuition and fees	-	16,388	-	16,388	-	16,388
Indirect costs	-	72,084	-	72,084	-	72,084
Interest income	-	1,497	-	1,497	91	1,588
Insurance proceeds	-	117,259	-	117,259	-	117,259
Rental of school property	-	6,750	-	6,750	-	6,750
Activity bus	-	65,551	-	65,551	-	65,551
Sales and use tax	-	29,154	-	29,154	-	29,154
Sale of fixed assets	-	1,003	-	1,003	-	1,003
Clubs and organizations	-	-	126,889	126,889	-	126,889
Fundraisers	-	-	144,981	144,981	-	144,981
Athletics	-	-	85,109	85,109	-	85,109
Miscellaneous revenue	-	90,101	69,912	160,013	-	160,013
Total other revenue	-	399,787	426,891	826,678	91	826,769
Total revenues	1,300,227	976,728	426,891	2,703,846	212,964	2,916,810



**Gates County Board of Education , North Carolina**  
**Combining Statement of Revenues, Expenditures, and Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2013**

	Special Revenue Funds				Capital Outlay Fund	Total Nonmajor Governmental Funds
	Federal Grants Fund	Other Specific Revenue Funds	Individual School Funds	Total Nonmajor Special Revenue Funds		
<b>Expenditures:</b>						
Instructional services:						
Regular instructional	120,612	118,724	-	239,336	-	239,336
Special populations	579,887	27,455	-	607,342	-	607,342
Alternative programs	431,704	212,144	-	643,848	-	643,848
School leadership	14,628	25,564	-	40,192	-	40,192
School-based support	18,722	157,036	436,111	611,869	-	611,869
Total	<u>1,165,553</u>	<u>540,923</u>	<u>436,111</u>	<u>2,142,587</u>	<u>-</u>	<u>2,142,587</u>
System-wide support services:						
Support and development	11,831	7,489	-	19,320	-	19,320
Special populations support and development	923	1,021	-	1,944	-	1,944
Alternative programs and services support and development	21,754	-	-	21,754	-	21,754
Technology support	-	1,036	-	1,036	-	1,036
Operational support	78,217	123,087	-	201,304	-	201,304
Financial and human resources	5,484	2,705	-	8,189	-	8,189
Accountability services	-	1,036	-	1,036	-	1,036
System-wide pupil support	5	30,188	-	30,193	-	30,193
Policy, leadership and public relations	-	34,306	-	34,306	-	34,306
Total	<u>118,214</u>	<u>200,868</u>	<u>-</u>	<u>319,082</u>	<u>-</u>	<u>319,082</u>
Ancillary services	<u>-</u>	<u>207,316</u>	<u>-</u>	<u>207,316</u>	<u>-</u>	<u>207,316</u>
Non-programmed charges	<u>16,460</u>	<u>-</u>	<u>-</u>	<u>16,460</u>	<u>-</u>	<u>16,460</u>
Capital outlay:						
Real property and buildings	-	-	-	-	165,260	165,260
Buses and motor vehicles	-	-	-	-	9,791	9,791
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,051</u>	<u>175,051</u>

**Gates County Board of Education , North Carolina**  
**Combining Statement of Revenues, Expenditures, and Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2013**

	<b>Special Revenue Funds</b>				<b>Capital Outlay Fund</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Federal Grants Fund</b>	<b>Other Specific Revenue Funds</b>	<b>Individual School Funds</b>	<b>Total Nonmajor Special Revenue Funds</b>		
Debt service	-	-	-	-	37,873	37,873
Total expenditures	1,300,227	949,107	436,111	2,685,445	212,924	2,898,369
Excess of revenues over (under) expenditures	-	27,621	(9,220)	18,401	40	18,441
Other financing sources (uses):						
Operating transfer in (out)	-	8,458	-	8,458	-	8,458
Excess of revenue and other sources over (under) expenditures and other uses	-	36,079	(9,220)	26,859	40	26,899
Fund balance, July 1	-	-	158,984	158,984	66,072	225,056
Fund balance, June 30	<u>\$ -</u>	<u>\$ 36,079</u>	<u>\$ 149,764</u>	<u>\$ 185,843</u>	<u>\$ 66,112</u>	<u>\$ 251,955</u>

**Gates County Board of Education, North Carolina**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Federal Grants Fund**  
**For the Year Ended June 30, 2013**

	2013		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
U. S. Government	\$ 1,580,809	\$ 1,300,227	\$ (280,582)
Total revenues	<u>1,580,809</u>	<u>1,300,227</u>	<u>(280,582)</u>
Expenditures:			
Instructional services	1,210,814	1,165,553	45,261
System-wide supporting services	118,328	118,215	113
Non-programmed charges	251,667	16,460	235,207
Total expenditures	<u>1,580,809</u>	<u>1,300,227</u>	<u>280,582</u>
Revenues over expenditures	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances:			
Beginning of year, July 1		-	
End of year, June 30		<u>\$ -</u>	

**Gates County Board of Education, North Carolina**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Other Specific Revenue Fund**  
**For the Year Ended June 30, 2013**

	2013		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
State of North Carolina	\$ 320,928	\$ 335,724	\$ 14,796
Gates County:			
Appropriation for Community Center	192,000	192,000	-
U. S. Government	49,078	49,217	139
Other:			
Tuition and fees	17,100	16,388	(712)
Indirect costs	72,084	72,084	-
Interest income	1,357	1,497	140
Insurance proceeds	117,259	117,259	-
Miscellaneous revenue	90,189	90,101	(88)
Rental of school property	6,750	6,750	-
Activity bus	65,551	65,551	-
Sales and use tax	29,154	29,154	-
Sale of fixed assets	1,003	1,003	-
Total	400,447	399,787	(660)
<b>Total revenues</b>	<b>962,453</b>	<b>976,728</b>	<b>14,275</b>
<b>Expenditures:</b>			
Instructional services			
Regular instructional	118,724	118,724	-
Special population	27,455	27,455	-
Alternative programs	213,870	212,144	1,726
School leadership	25,564	25,564	-
School-based support	162,443	157,036	5,407
Total	548,056	540,923	7,133

**Gates County Board of Education, North Carolina**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Other Specific Revenue Fund**  
**For the Year Ended June 30, 2013**

	2013		Variance
	Budget	Actual	Positive (Negative)
System-wide support services			
Support and development	7,489	7,489	-
Special population support and development	1,021	1,021	-
Technical support	1,036	1,036	-
Operational support	128,379	123,087	5,292
Financial and human resources	2,705	2,705	-
Accountability	1,036	1,036	-
System-wide pupil support	30,610	30,188	422
Policy, leadership and public relations	34,306	34,306	-
Total	<u>206,582</u>	<u>200,868</u>	<u>5,714</u>
Ancillary services	<u>226,224</u>	<u>207,316</u>	<u>18,908</u>
<b>Total expenditures</b>	<u>980,862</u>	<u>949,107</u>	<u>31,755</u>
<b>Excess of revenues over expenditures</b>	<u>(18,409)</u>	<u>27,621</u>	<u>46,030</u>
<b>Other financing sources (uses):</b>			
Fund balance appropriated	18,409	-	(18,409)
Operating transfer in (out)	-	8,458	8,458
Total	<u>18,409</u>	<u>8,458</u>	<u>(9,951)</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>\$ -</u>	36,079	<u>\$ 36,079</u>
<b>Fund balance:</b>			
Beginning of year, July 1		-	
End of year, June 30		<u>\$ 36,079</u>	

**Gates County Board of Education, North Carolina**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Capital Outlay Fund**  
**For the Year Ended June 30, 2013**

	2013		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Gates County:			
General appropriation	\$ 175,000	\$ 175,000	\$ -
Total Gates County	<u>175,000</u>	<u>175,000</u>	<u>-</u>
State of North Carolina:			
Appropriation for buses	37,873	37,873	-
Total State of North Carolina	<u>37,873</u>	<u>37,873</u>	<u>-</u>
Other revenues:			
Interest earned on investments	90	91	1
Total other revenues	<u>90</u>	<u>91</u>	<u>1</u>
Total revenue	<u>212,963</u>	<u>212,964</u>	<u>1</u>
Expenditures:			
Capital outlay:			
Real property and buildings:			
<u>Other real property and buildings</u>			
General building	94,907	94,868	39
Painting of buildings	34,700	34,700	-
Roof repairs	25,344	25,344	-
Drop ceiling installation	10,348	10,348	-
Total real property and buildings	<u>165,299</u>	<u>165,260</u>	<u>39</u>
Vehicles:			
Vehicle purchase	9,791	9,791	-
Total vehicles	<u>9,791</u>	<u>9,791</u>	<u>-</u>
Debt service:			
Principal	37,873	37,873	-
Total debt service	<u>37,873</u>	<u>37,873</u>	<u>-</u>
Total expenditures	<u>212,963</u>	<u>212,924</u>	<u>39</u>
Revenues over expenditures	<u>-</u>	40	40
Fund Balance, July 1		66,072	
Fund Balance, June 30		<u>\$ 66,112</u>	

**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, 2013**

	2013		
	Budget	Actual	Variance Positive (Negative)
Operating revenues, food sales	<u>\$ 295,013</u>	<u>\$ 291,392</u>	<u>\$ (3,621)</u>
Operating expenditures:			
Business support services:			
Purchase of food	363,295	327,666	-
Donated commodities	40,000	51,757	-
Salaries and benefits	444,943	492,049	-
Indirect costs	63,000	78,645	-
Materials and supplies	49,354	41,788	-
Contracted services	14,075	14,146	-
Travel	3,000	463	-
Other	3,814	3,126	-
Total operating expenditures	<u>981,482</u>	<u>1,009,640</u>	<u>(28,158)</u>
Operating income (loss)	<u>(686,469)</u>	<u>(718,248)</u>	<u>(31,779)</u>
Nonoperating revenues (expenditures):			
Federal reimbursements	573,546	582,904	-
Federal commodities	51,757	51,757	-
Interest earned	104	110	-
Indirect costs allocated	72,370	25,475	-
Depreciation	(11,309)	-	-
Total nonoperating revenues (expenditures)	<u>686,469</u>	<u>660,246</u>	<u>(26,223)</u>
Excess of revenues over (under) expenditures before other financing sources	<u>-</u>	<u>(58,002)</u>	<u>(58,002)</u>
Other financing sources:			
Transfers from other funds	<u>-</u>	<u>54,834</u>	<u>54,834</u>
Excess of revenues and other sources over expenditures	<u>\$ -</u>	<u>(3,168)</u>	<u>\$ (3,168)</u>
Reconciliation of modified accrual to full accrual:			
Reconciling items:			
Depreciation		(10,179)	
Indirect cost		(25,475)	
Indirect cost not paid		25,475	
(Increase) decrease in compensated absences		(8,177)	
Increase (decrease) in inventory		10,541	
Net income (full accrual)		<u>\$ (10,983)</u>	

**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, 2013**

	2013		Variance
	Budget	Actual	Positive (Negative)
Revenues:			
Child care fees	\$ 190,891	\$ 200,416	\$ 9,525
Total revenues	<u>190,891</u>	<u>200,416</u>	<u>9,525</u>
Expenditures:			
Regular community service:			
Salaries and wages	161,011	161,011	-
Purchase of food	20,351	20,351	(0)
Materials and supplies	9,241	4,765	4,476
Workshop	288	142	146
Total regular community service	<u>190,891</u>	<u>186,269</u>	<u>4,622</u>
Excess of revenues over (under) expenditures before other financing sources	<u>\$ -</u>	14,148	<u>\$ 14,148</u>
Reconciliation from budgetary basis (modified accrual) to full accrual			
Reconciling items:			
Bad debt		(24,484)	
Indirect cost		-	
Net Income		<u>\$ (10,337)</u>	



## **COMPLIANCE SECTION**



**DOUGLAS A. HOLLOWELL P.C.**

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

1880 WEST CITY DRIVE  
P.O. BOX 1387  
ELIZABETH CITY, NORTH CAROLINA 27906  
TELEPHONE: (252) 338-8021  
1-888-825-8059  
FAX (252) 338-4148

1389 NORTH BROAD STREET  
P.O. BOX 567  
EDENTON, NORTH CAROLINA 27932  
TELEPHONE: (252) 482-8461  
FAX (252) 482-4921

DOUGLAS A. HOLLOWELL, C.P.A.

DONNA HOLLOWELL WINBORNE, C.P.A.

**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 Auditors' Report**

To the Members of the Board  
Gates County Board of Education  
Gatesville, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the Gates County Board of Education's basic financial statements, and have issued our report thereon dated October 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Gates County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. We consider the deficiencies described as 2013-1 and 2013-2 in the accompanying schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Gates County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly,

MEMBERS OF:

THE AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

THE VIRGINIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

THE NORTH CAROLINA  
ASSOCIATION OF CERTIFIED  
PUBLIC ACCOUNTANTS

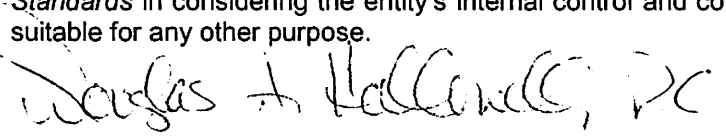
we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-3 and 2013-4.

Gates County Board of Education's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

  
Elizabeth City, North Carolina  
October 9, 2013



**DOUGLAS A. HOLLOWELL P.C.**

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

1880 WEST CITY DRIVE  
P.O. BOX 1387  
ELIZABETH CITY, NORTH CAROLINA 27906  
TELEPHONE: (252) 338-8021  
1-888-825-8059  
FAX (252) 338-4148

1389 NORTH BROAD STREET  
P.O. BOX 567  
EDENTON, NORTH CAROLINA 27932  
TELEPHONE: (252) 482-8461  
FAX (252) 482-4921

DOUGLAS A. HOLLOWELL, C.P.A.  
DONNA HOLLOWELL WINBORNE, C.P.A.

**Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation Act**

**Independent Auditor's Report**

To the Members of the Board  
Gates County Board of Education  
Gatesville, North Carolina

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

We have audited the Gates County Board of Education, North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Gates County Board of Education's major federal programs for the year ended June 30, 2013. The 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**

Our responsibility is to express an opinion on compliance for each of the Gates County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Gates County Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

**MEMBERS OF:**

THE AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

THE VIRGINIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

THE NORTH CAROLINA  
ASSOCIATION OF CERTIFIED  
PUBLIC ACCOUNTANTS

## Opinion on Each Major Federal Program

In our opinion, the 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, 2013.

## Report on Internal Control Over Compliance

Management of the 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 our audit of compliance, we considered the Gates County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Elizabeth City, North Carolina  
October 9, 2013



**DOUGLAS A. HOLLOWELL P.C.**

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

1880 WEST CITY DRIVE  
P.O. BOX 1387  
ELIZABETH CITY, NORTH CAROLINA 27906  
TELEPHONE: (252) 338-8021  
1-888-825-8059  
FAX (252) 338-4148

1389 NORTH BROAD STREET  
P.O. BOX 567  
EDENTON, NORTH CAROLINA 27932  
TELEPHONE: (252) 482-8461  
FAX (252) 482-4921

DOUGLAS A. HOLLOWELL, C.P.A.  
DONNA HOLLOWELL WINBORNE, C.P.A.

**Report On Compliance With Requirements Applicable To Each Major State  
Program And Internal Control Over Compliance; In Accordance With OMB  
Circular A-133 and the State Single Audit Implementation Act**

**Independent Auditors' Report**

To the Members of the Board  
Gates County Board of Education  
Gatesville, North Carolina

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

We have audited the 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 the Gates County Board of Education's major state programs for the year ended June 30, 2013. The 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**

Our responsibility is to express an opinion on compliance for each of the Gates County Board of Education's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Gates County Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

**MEMBERS OF:**

THE AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

THE VIRGINIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

THE NORTH CAROLINA  
ASSOCIATION OF CERTIFIED  
PUBLIC ACCOUNTANTS

### **Opinion on Each Major State Program**

In our opinion, the 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, 2013.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with applicable sections of section OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina* and which are described in the accompanying schedule of findings and questioned costs as items 2013-3 and 2013-4. Our opinion on each major state program is not modified with respect to these matters.

The Gates County Board of Education's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The Gates County Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

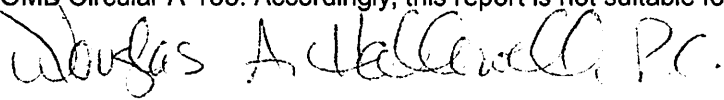
Management of the Gates County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Gates County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-3 and 2013-4 that we consider to be significant deficiencies.

The Gates County Board of Education's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs an corrective action plan. The Gates County Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

 Douglas A. Hallerwell, PC.

Elizabeth City, North Carolina  
October 9, 2013



**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2013**

**Section I. Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? ☒ yes ☐ no

Significant Deficiency(ies) identified  
that are not considered to be  
material weaknesses ☐ 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  
that are not considered to be  
material weaknesses ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with Section 510(a)  
of Circular A-133 ☐ yes ☒ no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
84.027, 84.173, & 84.323	Special Education Cluster

Dollar threshold used to distinguish between  
Type A and Type B Programs \$ 300,000

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

**State Awards**

Internal control over major State programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant Deficiency(ies) identified  
that are not considered to be  
material weaknesses ☒ yes ☐ none reported

**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2013**

**Section I. Summary of Auditors' Results (contd.)**

**State Awards (contd.)**

Type of auditors' report issued on compliance for major State programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with Section 510(a)  
of Circular A-133

\_\_\_\_ yes    X no

Identification of major State programs:

\_\_\_\_\_  
Program Name  
State Public School Fund  
Career Technical Education-State: Months of Employment

**Section II. Financial Statement Findings**

**Finding: 2013-1**

**MATERIAL WEAKNESS**

Criteria: Purchase orders should be prepared and approved prior to purchases being made.

Condition: In a sample of 121 disbursements from the State, Federal, Local, and Other Specific Revenue Funds accounts, 8 disbursements were supported by purchase orders dated and approved after the invoice date or did not have purchase orders at all.

Effect: Purchases were made prior to approval by the Finance Officer.

Cause: Purchase orders were generated after the authorized employee made the purchase.

Recommendation: Purchase orders should be prepared and approved prior to making the purchase for all disbursements.

Views of responsible officials and planned corrective actions: Staff involved with the purchasing process have received staff development on purchase order guidelines. We are currently updating our Purchasing Guidelines Manual to ensure that each person at the purchasing level is aware of their duties and responsibilities and the proper procedures involved. Staff development will continue throughout the year to ensure that any new hires are trained in the proper procedures.

**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2013**

<b>Section II. Financial Statement Findings (contd.)</b>
--

**FINDING: 2013-2**

**MATERIAL WEAKNESS**

Criteria: Moneys collected should be deposited daily unless the governing board has given its approval to require deposits only when moneys on hand amount to as much as \$250.

Condition: Per North Carolina General Statute 115C-445, moneys collected should be deposited daily unless the governing board has given its approval to require deposits only when moneys on hand amount to as much as \$250. Moneys collected at Central Middle School and Gates County High School were not timely deposited.

Effect: Moneys were not timely deposited, and so the Board was not in compliance with North Carolina General Statute 115C-445.

Cause: Moneys received were not turned in timely to the bookkeeper.

Recommendation: Moneys received in the classrooms should be turned in to the school bookkeeper daily and bank deposits of those funds should be made on the same day.

Views of responsible officials and planned corrective actions: Teachers and staff have been reminded of board policy requiring all monies collected to be turned into the front office on a daily basis. A report has been generated that will need to be completed requiring explanatory details in the event such situations arise in the future, with a copy being forwarded to the superintendent's office. This will be monitored throughout the year to ensure that this policy is being followed.

<b>Section III. Federal Award Findings and Questioned Costs</b>
---

None reported.

**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2013**

**Section IV. State Award Findings and Questioned Costs**

*N.C. Department of Public Instruction*  
*Program Name: State Public School Fund*

**FINDING: 2013-3**

**SIGNIFICANT DEFICIENCY**

**Criteria:** Local Education Agencies should comply with all aspects of Session Law 2011-147, Gfellar-Waller Concussion Awareness Act. This includes a requirement that each student athlete and a parent sign an information sheet related to concussion and head injuries.

**Condition:** Twenty-three student athletes did not have a signed information sheet.

**Effect:** The Board was not in compliance with Session Law 2011-147.

**Cause:** Personnel did not verify that each student athlete had returned an information sheet signed by both the student and a parent.

**Recommendation:** A procedure should be established to verify that there is an information sheet signed by both the student and a parent for all student athletes.

**Views of responsible officials and planned corrective actions:** At the high school, spreadsheets of all athletes were developed by the school's athletic director, so he could verify whether each athlete has submitted all appropriate documentation. Physicals documentation is now kept in a binder in the high school assistant principal's office. The assistant principal at the middle school is keeping a binder in his office for all of the athletes, with documentation required for each athlete including physicals. The administrators at both schools are aware of the necessity to verify the receipt of the signed concussion forms for the parents and athletes participating in each sport.

**FINDING: 2013-4**

**SIGNIFICANT DEFICIENCY**

**Criteria:** Local Education Agencies should comply with all aspects of Session Law 2011-147, Gfellar-Waller Concussion Awareness Act. This includes a requirement that the Emergency Action Plan (EAP) be reviewed by an athletic trainer licensed in North Carolina, approved by the principal of the school, distributed to all appropriate personnel, and reviewed and rehearsed annually by all licensed athletic trainers, first responders, coaches, school nurses, athletic directors, and volunteers for interscholastic athletic activities.

**Condition:** The EAP did not include documentation of review by an athletic trainer licensed in North Carolina, documentation of the principals' authorizations, documentation of distribution to all appropriate personnel, or documentation of review and annual rehearsal by all staff and volunteers associated with interscholastic athletic activities.

**Effect:** The Board was not in compliance with Session Law 2011-147.

**Cause:** The Board did not properly document its EAP as required under Session Law 2011-147.

**Recommendation:** Written documentaion of review by an athletic trainer licensed in North Carolina, documentation of the principals' authorizations, documentation of distribution to all appropriate personnel, or documentation of review and annual rehearsal by all staff and volunteers associated with interscholastic athletic activities should be maintained.

**Views of responsible officials and planned corrective actions:** Both the middle school and the high school have added signature pages to their Emergency Action Plans, so the principal and appropriate personnel have a signature line. Each school will contact a certified athletic trainer in the nearby area to review their plan as opposed to mailing the document to Raleigh. Each school will plan review and rehearsal of the EAP by all staff and volunteers associated with interscholastic athletic activities and will maintain documentation of this review.

**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**CORRECTIVE ACTION PLAN**  
**For the Year Ended June 30, 2013**

---

**Section II. Financial Statement Findings**

---

**Finding: 2013-1**

**MATERIAL WEAKNESS**

Name of contact person: Rube Blanchard, Finance Officer

Corrective Action: Staff involved with the purchasing process have received staff development on purchase order guidelines. We are currently updating our Purchasing Guidelines Manual to ensure that each person at the purchasing level is aware of their duties and responsibilities and the proper procedures involved. Staff development will continue throughout the year to ensure that any new hires are trained in the proper procedures.

Proposed Completion Date: 10/25/13

**Finding: 2013-2**

**MATERIAL WEAKNESS**

Name of contact person: Rube Blanchard, Finance Officer

Corrective Action: Teachers and staff have been reminded of board policy requiring all monies collected to be turned into the front office on a daily basis. A report has been generated that will need to be completed requiring explanatory details in the event such situations arise in the future, with a copy being forwarded to the superintendent's office. This will be monitored throughout the year to ensure that this policy is being followed.

Proposed Completion Date: 10/25/13

---

**Section IV. State Award Findings and Questioned Costs**

---

**Finding: 2013-3**

**SIGNIFICANT DEFICIENCY**

Name of contact person: Adrienne Bradley, Director of Student Services

Corrective Action: At the high school, spreadsheets of all athletes were developed by the school's athletic director, so he could verify whether each athlete has submitted all appropriate documentation. Physicals documentation is now kept in a binder in the high school assistant principal's office. The assistant principal at the middle school is keeping a binder in his office for all of the athletes, with documentation required for each athlete including physicals. The administrators at both schools are aware of the necessity to verify the receipt of the signed concussion forms for the parents and athletes participating in each sport.

Proposed Completion Date: The spreadsheets and manuals were developed by October 1, 2013. Data will be entered in at the beginning of each sport season. Completion of entering all athletes data into the spreadsheets and manuals will be completed by May 1, 2014.

**Finding: 2013-4**

**SIGNIFICANT DEFICIENCY**

Name of contact person: Adrienne Bradley, Director of Student Services

Corrective Action: Both the middle school and the high school have added signature pages to their Emergency Action Plans, so the principal and appropriate personnel have a signature line. Each school will contact a certified athletic trainer in the nearby area to review their plan as opposed to mailing the document to Raleigh. Each school will plan review and rehearsal of the EAP by all staff and volunteers associated with interscholastic athletic activities and will maintain documentation of this review.

Proposed Completion Date: The Emergency Action Plans will be reviewed by local certified athletic trainers and will include proper authorizations, including the principals. The EAPs will be reviewed and rehearsed by all staff and volunteers associated with interscholastic athletic activities at the beginning of each of the particular sports seasons. Completion of all reviews and rehearsals will be done by April 30, 2014.

**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

For the Year Ended June 30, 2013

**Finding: 2012-1**

Status: This finding has been corrected.

**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the Year Ended June 30, 2013

Grantor/Pass-through <u>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>			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities)			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555		51,757
Non-Cash Assistance			51,757
Cash Assistance			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553		\$ 413,280
National School Lunch Program	10.555		170,613
Passed-through the N.C. Department of Health and Human Services:			
Division of Public Health			
Summer Food Service Program for Children			1,306
Total Cash Assistance			585,199
Total U. S. Department of Agriculture			636,956
<u>U.S. Department of Education</u>			
Cash Assistance			
Passed-through the N.C. Department of Public Instruction:			
Title I, Part A Cluster			
Title I Grants to Local Education Agencies (Title I, Part A of ESEA)	84.010	PRC 050	373,807
ARRA-Title I Grants to Local Education Agencies	84.389	PRC 141	58
Total Title I, Part A Cluster			373,865
School Improvement Cluster			
Title I Grants to Local Education Agencies (Title I, Part A of ESEA) - School Improvements	84.010	PRC 105	37,820
ARRA-School Improvement Grants, Recovery Act	84.389	PRC 142	17
Total School Improvement Cluster			37,837
Safe and Drug Free Schools and Communities, Title IV, Part A	84.186	PRC 048	159

**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the Year Ended June 30, 2013

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
<u>Special Education Cluster:</u>			
Special Education - Grants to States (IDEA, Part B) - Education of the Handicapped	84.027	PRC 060	460,673
IDEA - Children with Disabilities - Risk Pool	84.027	PRC 114	91,947
IDEA VI-B Special Needs Targeted Assistance	84.027	PRC 118	10,048
Special Education - Preschool Grants (IDEA Preschool) - Capacity and Building Improvement Grants	84.173	PRC 044	169
Special Education - Preschool Grants (IDEA Preschool) - Preschool Handicapped	84.173	PRC 049	27,229
IDEA - Early Coordinated Early Intervening Services (CEIS)	84.173	PRC 070	1
IDEA VI-B Special Education State Improvement Grant	84.323	PRC 082	4,287
IDEA - Targeted Assistance for Preschool Federal Grant	84.173	PRC 119	1,320
Total Special Education Cluster:			<u>595,674</u>
 Career and Technical Education - Basic Grants to States - Program Development	 84.048	 PRC 017	 <u>23,053</u>
 Education Technology State Grants Cluster			
Education Technology State Grants (Enhancing Education through Technology Program)	84.318	PRC 107	2
ARRA - Education Technology State Grants (Enhancing Education through Technology Program)	84.386	PRC 146	3
Total Education Technology State Grants Cluster			<u>5</u>
 Teacher Quality Enhancement	 84.367	 PRC 103	 113,903
Rural and Low Income Schools	84.358	PRC 109	55,812
Education Jobs Program - ARRA	84.410	PRC 155	92,481
Race to the Top - ARRA	84.395	PRC 156	7,439
Total U. S. Department of Education			<u>1,300,228</u>
 <u>U.S. Department of Health and Human Services</u>			
Division of Social Services:			
Medical Assistance Program	93.999		51,934
Total U. S. Department of Health and Human Services			<u>51,934</u>
 Total federal assistance			 <u>1,989,118</u>



**GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the Year Ended June 30, 2013

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
<b>State Grants:</b>			
Cash Assistance			
<u>N. C. Department of Public Instruction:</u>			
State Public School Fund			\$ 12,340,010
Driver Training - SPSF		PRC 012	29,860
School Technology Fund - SPSF		PRC 015	21,709
Vocational Education			
- State Months of Education		PRC 013	728,026
- Program Support Funds		PRC 014	73,489
Total N. C. Department of Public Instruction			13,193,094
<u>N. C. Arts Council - Department of Cultural Resources</u>			
Cultural Resources Grant		FY10-453	28,447
<u>N. C. Department of Health and Human Services:</u>			
School Nurse Grant			124,619
Division of Child Development			
NC Pre-Kindergarten Program			155,579
<u>Department of Juvenile Justice:</u>			
Passed-through Gates County:			
Juvenile Crime Prevention Program			43,549
Non-Cash Assistance			
<u>N. C. Department of Public Instruction:</u>			
Textbooks			45,681
Total State Assistance			13,590,969
Total federal and State Assistance			\$ 15,580,087

**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 includes the federal and State grant activity of Gates County Board of Education and is from amounts presented in, or used in the preparation of the basic financial statements. Therefore some amounts presented in this schedule may differ from amounts presented on the modified basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act.

**2. The following are clustered by the NC Department of Public Instruction and are treated separately for state audit requirement purposes: School Improvement Cluster**