

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA

List of Principal Officials June 30, 2014

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
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INDIVIDUAL SCHOOLS

Principals

Vivian Goldsby Buckland Elementary School	Sallie Ryan Gateville Elementary School
Jeremy Wright T. S. Cooper Elementary School	James Wood Central Middle School
Tammi Ward Gates County High School	

GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA

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DOUGLAS A. HOLLOWELL P.C.

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DONNA HOLLOWELL WINBORNE, C.P.A.

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Gates County Board of Education, North Carolina, as of and for the year then ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Gates County Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 *Government Auditing Standards*, issued by the Comptroller General 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.

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ASSOCIATION OF CERTIFIED
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Gates County Board of Education, North Carolina as of June 30, 2014, 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 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provided us will sufficient evident to express and opinion or provide any assurance.

Supplementary and Other Information

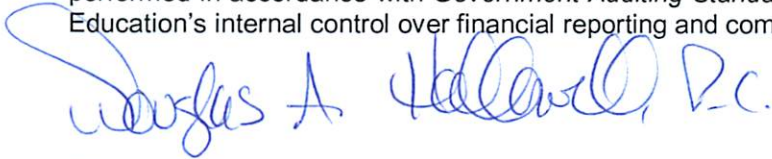
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Gates County Board of Education's basic financial statements. The combining and individual non-major fund financial statements and schedules, budgetary schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, 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 non-major 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2014 on our consideration of Gates County Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control

over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Gates County Board of Education's internal control over financial reporting and compliance.

A handwritten signature in blue ink, reading "Douglas A. Halliwell, P.C." The signature is written in a cursive, flowing style.

Elizabeth City, North Carolina
October 13, 2014

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, 2014. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Board realized a decreased enrollment of 51 students (or 3%) 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 and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary funds are presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, a reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on the financial resources of each of the Board's major funds.

Government-wide Statements

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Board's assets, deferred 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 of resources– is one way to measure the unit's financial health or position.

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

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

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

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

Fund Financial Statements

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

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

Gates County Board of Education has two types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – how cash and other assets can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the

coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation following the governmental funds statements, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, 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 \$13,126,414 as of June 30, 2014. The largest component of net position is net investment in capital assets, of \$12,336,328. It comprises 93.98% of the total net position.

Following is a summary of the Statement of Net Position:

Table 1						
Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current assets	\$ 1,946,073	\$ 1,749,331	\$ 333,044	\$ 338,162	\$ 2,279,117	\$ 2,087,493
Capital assets	12,373,607	12,782,233	38,735	48,903	12,412,342	12,831,136
Total assets	14,319,680	14,531,564	371,779	387,065	14,691,459	14,918,629
Current liabilities	1,491,909	1,437,498	33,111	36,840	1,525,020	1,474,338
Long-term liabilities	38,007	-	-	-	38,007	-
Total liabilities	1,529,916	1,437,498	33,111	36,840	1,563,027	1,474,338
Deferred inflows of resources	2,018	2,600	-	-	2,018	-
Net investment in capital assets	12,297,593	12,782,233	38,735	48,903	12,336,328	12,831,136
Restricted net position	226,505	257,713	-	-	226,505	257,713
Unrestricted net position	263,648	51,520	299,933	301,322	563,581	352,842
Total net position	\$ 12,787,746	\$ 13,091,466	\$ 338,668	\$ 350,225	\$ 13,126,414	\$ 13,441,691

Note that net position decreased during the year. The decrease in net position (2.3%) was largely because of the decrease in capital assets in the governmental activities. Unrestricted net position decreased in the business-type activities primarily because of a decrease 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		Business-type Activities		Total Primary Government		
	2014	2013	2014	2013	2014	2013	
Revenues:							
Program revenues:							
Charges for services	\$ 418,012	\$ 323,140	\$ 444,115	\$ 491,808	\$ 862,127	\$ 814,948	
Operating grants and contributions	11,603,269	12,838,405	675,781	660,136	12,279,050	13,498,541	
Capital grants and contributions	-	118,262	-	-	-	118,262	
General revenues:							
Other revenues	5,662,445	5,413,281	24	110	5,662,469	5,413,391	
Total revenues	17,683,726	18,693,088	1,119,920	1,152,054	18,803,646	19,845,142	
Expenses:							
Governmental activities:							
Instructional services	12,492,795	13,591,876	-	-	12,492,795	13,591,876	
System-wide support services	4,702,462	4,911,511	-	-	4,702,462	4,911,511	
Ancillary services	254,945	211,879	-	-	254,945	211,879	
Non-programmed charges	(1,603)	(2,715)	-	-	(1,603)	(2,715)	
Depreciation	486,721	485,591	-	-	486,721	485,591	
Business-type activities:							
Food service	-	-	997,443	1,017,455	997,443	1,017,455	
Child care	-	-	186,163	210,753	186,163	210,753	
Total expenses	17,935,320	19,198,142	1,183,606	1,228,208	19,118,926	20,426,350	
Transfers in (out)	(52,126)	(54,834)	52,126	54,834	-	-	
Increase in net position	(303,720)	(559,888)	(11,560)	(21,320)	(315,280)	(581,208)	
Net position, beginning	13,091,466	13,651,354	350,228	371,545	13,441,694	14,022,899	
Net position, ending	\$ 12,787,746	\$ 13,091,466	\$ 338,668	\$ 350,225	\$ 13,126,414	\$ 13,441,691	

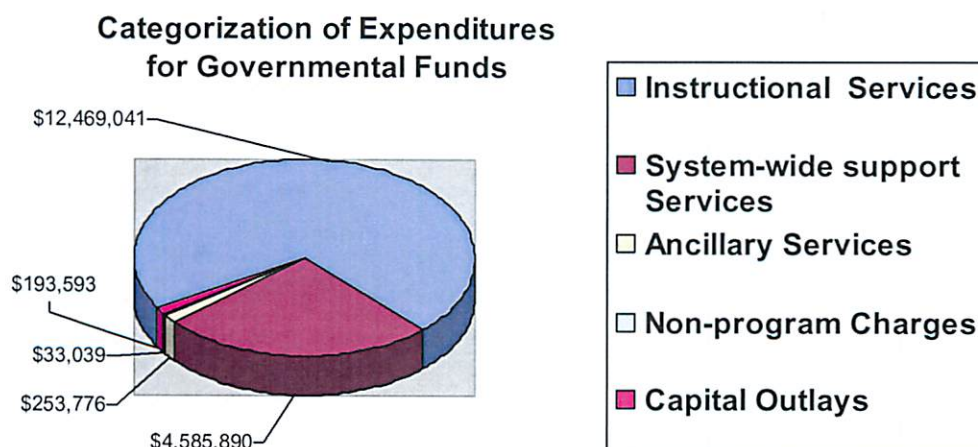
Total governmental activities generated revenues of \$17.6 million while expenses in this category totaled \$17.9 million for the year ended June 30, 2014. Comparatively, revenues were \$18.6 million and expenses totaled \$19.1 million for the year ended June 30, 2013. After transfers to the business-type activities, the decrease in net position stands at \$303,720 at June 30, 2014, compared to \$559,888 in 2013. Instructional services expenses comprised 69.7% of total governmental-type expenses while system-wide support services made up 26.2% of those expenses for 2014. County funding comprised 15.3% of total governmental revenue for 2014. In 2013, county funding was 15.8%. Much of the remaining 84.7% of total governmental revenue for 2014 consists of restricted State and federal money. This revenue represented 84.2% of total revenue in 2013. Business-type activities generated revenue of \$1,119,920 and expenses of \$1,183,606. Net position decreased in the business-type activities by \$11,560, after transfers from the governmental activities of \$52,126.

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 \$1,440,618, a \$206,917 increase over last year. All of the Board's governmental funds, except for the State Public School Fund, Federal Grants Fund, and Capital Outlay Fund, had revenues and other financing sources that exceeded expenditures and other uses. Two sources of funding decreased over the prior year: State funding decreased \$533,811 and county funding decreased \$52,383. Expenditures decreased by \$1,158,618 over the prior year.

Proprietary Funds: The Board's business-type School Food Service Fund reflected a decrease in net position over last year of \$17,672. This decrease was due primarily to a decrease in food sales and also the federal reimbursements. The Child Care Fund reflected an increase of \$6,114 in net position over last year. This increase was due to a smaller amount of bad-debt write-offs for the current year.



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 reduced revenue estimates. Even with the reductions in revenue, the Board was able to reduce spending and end the year with a small surplus. Increases in estimated revenues and corresponding increases in appropriations totaled \$19,196 in the General Fund.

Capital Assets

Capital assets decreased by \$418,793 (or 3.2%) from the previous year. This was due to depreciation expense.

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	
	2014	2013	2014	2013	2014	2013
Land	\$ 53,670	\$ 53,670	\$ -	\$ -	\$ 53,670	\$ 53,670
Construction in progress	51,570	-	-	-	51,570	-
Buildings	11,527,556	11,921,855	-	-	11,527,556	11,921,855
Furniture and equipment	165,540	224,953	38,735	48,903	204,275	273,856
Vehicles and motorized equipment	575,271	581,755	-	-	575,271	581,755
Total	\$ 12,373,607	\$ 12,782,233	\$ 38,735	\$ 48,903	\$ 12,412,342	\$ 12,831,136

Debt Outstanding

During the year, the Board's outstanding debt increased by \$76,014 due to installment financing for replacement school buses. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction.

Economic Factors

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

- The County is has a current unemployment rate of 6.9%, slightly higher than the state average of 6.8%.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

Gates County Board of Education, North Carolina
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,629,314	\$ 249,321	\$ 1,878,635
Due from other governments	319,145	28,627	347,772
Accounts receivable	963	23,353	24,316
Internal balances	(3,349)	3,349	-
Inventories	-	28,394	28,394
Capital assets			
Land and construction in progress	105,240	-	105,240
Other capital assets, net of depreciation	12,268,367	38,735	12,307,102
Total capital assets	<u>12,373,607</u>	<u>38,735</u>	<u>12,412,342</u>
Total assets	<u>14,319,680</u>	<u>371,779</u>	<u>14,691,459</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 186,895	\$ -	\$ 186,895
Accrued salaries and wages payable	316,542	-	316,542
Parent deposits	-	500	500
Long term liabilities			
Due within one year	988,472	32,611	1,021,083
Due in more than one year	38,007	-	38,007
Total liabilities	<u>1,529,916</u>	<u>33,111</u>	<u>1,563,027</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,018</u>	<u>-</u>	<u>2,018</u>
NET POSITION			
Net investment in capital assets	12,297,593	38,735	12,336,328
Restricted for:			
Individual schools	162,343	-	162,343
Stabilization by state statute	14,559	-	14,559
School capital outlay	49,603	-	49,603
Unrestricted	263,648	299,933	563,581
Total net position	<u>\$ 12,787,746</u>	<u>\$ 338,668</u>	<u>\$ 13,126,414</u>

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, 2014

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 7,197,879	\$ 19,500	\$ 5,870,661	\$ -	\$ (1,307,718)	\$ -	\$ (1,307,718)
Special populations	1,425,568	-	1,315,349	-	(110,219)	-	(110,219)
Alternative programs	875,081	-	822,995	-	(52,086)	-	(52,086)
School leadership	1,084,339	-	516,869	-	(567,470)	-	(567,470)
Co-curricular	105,217	-	-	-	(105,217)	-	(105,217)
School-based support	1,804,711	391,816	866,386	-	(546,509)	-	(546,509)
System-wide support services:							
Support and development	195,187	-	139,931	-	(55,256)	-	(55,256)
Special populations support and development	114,877	-	113,234	-	(1,643)	-	(1,643)
Alternative programs and services support and development	21,537	-	21,537	-	-	-	-
Technology support	106,715	-	27,864	-	(78,851)	-	(78,851)
Operational support	3,037,979	6,696	1,245,516	-	(1,785,767)	-	(1,785,767)
Financial and human resources	633,767	-	202,618	-	(431,149)	-	(431,149)
Accountability	145,533	-	4,280	-	(141,253)	-	(141,253)
System-wide pupil support	100,367	-	1,536	-	(98,831)	-	(98,831)
Policy, leadership, and public relations	346,500	-	140,167	-	(206,333)	-	(206,333)
Ancillary services	254,945	-	266,261	-	11,316	-	11,316
Non-programmed charges	(1,603)	-	48,065	-	49,668	-	49,668
Unallocated depreciation expense	486,721	-	-	-	(486,721)	-	(486,721)
Total governmental activities	17,935,320	418,012	11,603,269	-	(5,914,039)	-	(5,914,039)
Business-type activities:							
School food service	997,443	261,251	675,781	-	-	(60,411)	(60,411)
Child care	186,163	182,864	-	-	-	(3,299)	(3,299)
Total business-type activities	1,183,606	444,115	675,781	-	-	(63,710)	(63,710)
Total primary government	\$ 19,118,926	\$ 862,127	\$ 12,279,050	\$ -	(5,914,039)	(63,710)	(5,977,749)
General revenues:							
Unrestricted county appropriations - operating					2,610,000	-	2,610,000
Unrestricted county appropriations - capital					100,000	-	100,000
Unrestricted State appropriations - operating					2,804,259	-	2,804,259
Investment earnings, unrestricted					1,578	24	1,602
Miscellaneous, unrestricted					146,608	-	146,608
Transfers					(52,126)	52,126	-
Total general revenues and transfers					5,610,319	52,150	5,662,469
Change in net position					(303,720)	(11,560)	(315,280)
Net position - beginning					13,091,466	350,228	13,441,694
Net position - ending					\$ 12,787,746	\$ 338,668	\$ 13,126,414

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

Gates County Board of Education, North Carolina
Balance Sheet
Governmental Funds
June 30, 2014

	Major Funds		Non-major Funds	
	General	State Public School	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,348,349	\$ -	\$ 280,965	\$ 1,629,314
Accounts receivable	-	-	963	963
Due from other funds	5,560	-	-	5,560
Due from other governments	-	285,551	33,594	319,145
Total assets	<u>\$ 1,353,909</u>	<u>\$ 285,551</u>	<u>\$ 315,522</u>	<u>\$ 1,954,982</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities:				
Accounts payable and accrued expenses	\$ 170,367	\$ -	\$ 16,528	\$ 186,895
Accrued salaries and wages payable	346	285,551	30,645	316,542
Due to other funds	-	-	8,909	8,909
Total liabilities	<u>170,713</u>	<u>285,551</u>	<u>56,082</u>	<u>512,346</u>
Deferred inflows of resources:	<u>-</u>	<u>-</u>	<u>2,018</u>	<u>2,018</u>
Fund balance:				
Restricted:				
Individual Schools	-	-	162,343	162,343
Stabilization by State Statute	5,560	-	8,999	14,559
School Capital Outlay	-	-	49,603	49,603
Assigned:				
Subsequent years expenditures	326,315	-	-	326,315
Committed:	-	-	7,729	7,729
Unassigned:	851,321	-	28,748	880,069
Total fund balance	<u>1,183,196</u>	<u>-</u>	<u>257,422</u>	<u>1,440,618</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,353,909</u>	<u>\$ 285,551</u>	<u>\$ 315,522</u>	

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

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

12,373,607

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

(1,026,479)

Net position of governmental activities

\$ 12,787,746

Gates County Board of Education, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

	Major Funds		Non-major Funds	Total Governmental Funds
	General	State Public School	Other Governmental Funds	
REVENUES				
State of North Carolina	\$ -	\$ 12,746,446	\$ 286,433	\$ 13,032,879
Gates County	2,610,000	-	308,696	2,918,696
U. S. Government	-	-	956,159	956,159
Contributions and donations	-	-	66,305	66,305
Other	70,196	-	674,133	744,329
Total revenues	<u>2,680,196</u>	<u>12,746,446</u>	<u>2,291,726</u>	<u>17,718,368</u>
EXPENDITURES				
Current:				
Instructional services				
Regular instructional	28,348	6,949,225	213,813	7,191,386
Special populations	8,776	1,052,045	361,767	1,422,588
Alternative programs	9,262	292,112	563,632	865,006
School leadership	8,232	1,030,361	44,834	1,083,427
Co-curricular	105,217	-	-	105,217
School-based support	48,166	1,169,853	583,398	1,801,417
System-wide support services	-	-	-	-
Support and development	12,432	177,971	5,314	195,717
Special populations support and development	9	104,434	10,739	115,182
Alternative programs and services support and development	-	-	21,537	21,537
Technology support	88,180	29,239	1,040	118,459
Operational support	1,680,617	1,189,431	42,372	2,912,420
Financial and human resources	203,652	403,034	23,224	629,910
Accountability	10	140,662	4,861	145,533
System-wide pupil support	99,399	-	1,367	100,766
Policy, leadership, and public relations	167,717	165,637	13,012	346,366
Ancillary services	18,729	-	235,047	253,776
Non-programmed charges	-	(271)	33,310	33,039
Capital outlay:				
Real property and buildings	-	-	117,579	117,579
Vehicles	-	-	76,014	76,014
Total expenditures	<u>2,478,746</u>	<u>12,703,733</u>	<u>2,352,860</u>	<u>17,535,339</u>
Excess (deficiency) of revenues over expenditures	<u>201,450</u>	<u>42,713</u>	<u>(61,134)</u>	<u>183,029</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	-	(42,713)	(9,413)	(52,126)
Installment purchase obligation issued	-	-	76,014	76,014
Total other financing sources (uses)	<u>-</u>	<u>(42,713)</u>	<u>66,601</u>	<u>23,888</u>
Net change in fund balance	201,450	-	5,467	206,917
Fund balances, beginning	981,746	-	251,955	1,233,701
Fund balances, ending	<u>\$ 1,183,196</u>	<u>\$ -</u>	<u>\$ 257,422</u>	<u>\$ 1,440,618</u>

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

Gates County Board of Education, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

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

Net changes in fund balances - total governmental funds	\$ 206,917
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as a depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(408,626)
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 premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amount is the net effect of these differences in the treatment of long-term debt	(76,014)
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	<u>(25,997)</u>
Total changes in net position of governmental activities	<u><u>(303,720)</u></u>

Gates County Board of Education, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Fund
For the Year Ended June 30, 2014

	General Fund			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Gates County	\$ 2,610,000	\$ 2,610,000	\$ 2,610,000	\$ -
Other	51,000	70,196	70,196	-
Total revenues	<u>2,661,000</u>	<u>2,680,196</u>	<u>2,680,196</u>	<u>-</u>
EXPENDITURES				
Current:				
Instructional services				
Regular instructional	24,199	29,752	28,348	1,404
Special populations	-	8,776	8,776	-
Alternative programs	17,577	9,262	9,262	-
School leadership	6,500	8,232	8,232	-
Co-curricular	98,873	105,495	105,217	278
School-based support	58,144	48,400	48,166	234
System-wide support services				
Support and development	21,250	12,432	12,432	-
Special populations support and development	-	9	9	-
Technology support	73,717	88,180	88,180	-
Operational support	1,744,527	1,688,828	1,680,617	8,211
Financial and human resources	354,782	352,427	203,652	148,775
Accountability	-	10	10	-
System-wide pupil support	88,608	99,399	99,399	-
Policy, leadership, and public relations	163,331	210,266	167,717	42,549
Ancillary services	9,492	18,728	18,729	(1)
Total expenditures	<u>2,661,000</u>	<u>2,680,196</u>	<u>2,478,746</u>	<u>201,450</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	201,450	<u>\$ 201,450</u>
Fund balances, beginning			981,746	
Fund balances, ending			<u>\$ 1,183,196</u>	

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

Gates County Board of Education, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Fund
For the Year Ended June 30, 2014

	State Public School Fund			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
State of North Carolina	\$ 13,042,993	\$ 12,974,756	\$ 12,746,446	\$ (228,310)
EXPENDITURES				
Current:				
Instructional services				
Regular instructional	7,461,501	7,123,739	6,949,225	174,514
Special populations	957,695	1,058,028	1,052,045	5,983
Alternative programs	337,130	300,969	292,112	8,857
School leadership	1,041,349	1,042,476	1,030,361	12,115
School-based support	1,100,701	1,196,693	1,169,853	26,840
System-wide support services				
Support and development	200,258	177,971	177,971	-
Special populations support and development	100,158	104,434	104,434	-
Technology support	-	29,239	29,239	-
Operational support	1,124,684	1,189,431	1,189,431	-
Financial and human resources	299,929	403,034	403,034	-
Accountability	227,770	140,662	140,662	-
Policy, leadership, and public relations	147,000	165,637	165,637	-
Ancillary services	44,818	42,713	-	42,713
Non-programmed charges	-	(270)	(271)	1
Total expenditures	<u>13,042,993</u>	<u>12,974,756</u>	<u>12,703,733</u>	<u>271,023</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>42,713</u>	<u>42,713</u>
Other financing sources (uses)				
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(42,713)</u>	<u>(42,713)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning			-	
Fund balances, ending			<u>\$ -</u>	

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

Gates County Board of Education, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise Funds		
	Major Funds		
	School Food Service	Child Care	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 249,321	\$ -	\$ 249,321
Due from other governments	26,410	2,217	28,627
Accounts receivable	4,288	19,065	23,353
Inventories	28,394	-	28,394
Due from other funds	-	3,349	3,349
Total current assets	<u>308,413</u>	<u>24,631</u>	<u>333,044</u>
Noncurrent assets:			
Capital assets:			
Food service equipment, net	38,735	-	38,735
Total assets	<u>\$ 347,148</u>	<u>\$ 24,631</u>	<u>\$ 371,779</u>
LIABILITIES			
Current liabilities:			
Compensated absences	\$ 32,611	\$ -	\$ 32,611
Parent deposits	-	500	500
Total current liabilities	<u>32,611</u>	<u>500</u>	<u>33,111</u>
NET POSITION			
Net investment in capital assets	38,735	-	38,735
Unrestricted	275,802	24,131	299,933
Total net position	<u>\$ 314,537</u>	<u>\$ 24,131</u>	<u>\$ 338,668</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 Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Enterprise Funds		
	Major Funds		
	School Food Service	Child Care	Total
OPERATING REVENUES			
Food sales	\$ 261,251	\$ -	\$ 261,251
Child care fees	-	182,864	182,864
Total operating revenues	261,251	182,864	444,115
OPERATING EXPENSES			
Food cost:			
Purchase of food	311,661	19,575	331,236
Donated commodities	55,487	-	55,487
Salaries and benefits	488,566	159,702	648,268
Indirect costs	81,598	-	81,598
Materials and supplies	34,890	6,087	40,977
Depreciation	10,168	-	10,168
Contracted services	13,175	72	13,247
Travel	475	502	977
Other	1,423	225	1,648
Total operating expenses	997,443	186,163	1,183,606
Operating (loss)	(736,192)	(3,299)	(739,491)
NONOPERATING REVENUES			
Federal reimbursements	538,696	-	538,696
Federal commodities	55,487	-	55,487
Interest earned	24	-	24
Indirect cost not paid	81,598	-	81,598
Total nonoperating revenues	675,805	-	675,805
(Loss) before transfers	(60,387)	(3,299)	(63,686)
OTHER FINANCING SOURCES			
Transfer from other funds	42,713	9,413	52,126
Change in net position	(17,674)	6,114	(11,560)
Total net position - beginning	332,211	18,017	350,228
Total net position - ending	\$ 314,537	\$ 24,131	\$ 338,668

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 Fiscal Year Ended June 30, 2014

	Enterprise Funds		
	Major Funds		
	School Food Service	Child Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 259,978	\$ 179,782	\$ 439,760
Cash paid for goods and services	(356,346)	(26,460)	(382,806)
Cash paid to employees for services	(449,582)	(159,702)	(609,284)
Net cash (used) from operating activities	<u>(545,950)</u>	<u>(6,380)</u>	<u>(552,330)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Decrease (increase) in due from other funds	-	6,380	6,380
Federal reimbursements	527,430	-	527,430
Net cash provided from noncapital financing activities	<u>527,430</u>	<u>6,380</u>	<u>533,810</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	24	-	24
Net (decrease) in cash and cash equivalents	(18,496)	-	(18,496)
Balances - beginning of year	267,817	-	267,817
Balances - end of year	<u>\$ 249,321</u>	<u>\$ -</u>	<u>\$ 249,321</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating (loss)	\$ (736,192)	\$ (3,299)	\$ (739,491)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	10,168	-	10,168
Donated commodities consumed	55,487	-	55,487
Salaries paid by special revenue fund	42,713	-	42,713
Indirect cost not paid	81,598	-	81,598
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(1,273)	(3,081)	(4,354)
(Increase) decrease in inventory	5,278	-	5,278
Increase (decrease) in compensated absences	(3,729)	-	(3,729)
Total adjustments	<u>190,242</u>	<u>(3,081)</u>	<u>187,161</u>
Net cash provided (used) by operating activities	<u>\$ (545,950)</u>	<u>\$ (6,380)</u>	<u>\$ (552,330)</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 Fund
For the Year Ended June 30, 2014**

Noncash investing, capital, and financing activities:

The State Public School Fund paid salaries and benefits of \$42,713 to administrative personnel of the School Food Service Fund during the year. The payment is reflected as an operating transfer in and an operating expense on Exhibit 8.

The Other Specific Revenue Fund paid expenditures of \$9,413 to the Child Care Fund during the year. The payment is reflected as an operating transfer in and an operating expense on Exhibit 8.

Indirect costs of \$81,598 that would be due to the General Fund was not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 8.

The School Food Service Fund received donated commodities with a value of \$55,487 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$55,487 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 8.

NOTES TO THE FINANCIAL STATEMENTS

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation – Fund Accounting

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from 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 Fiscal Year Ended June 30, 2014

The Board reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgetary Data

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

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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

1. Deposit and Investments

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

2. Cash and Cash Equivalents

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. 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. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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 one main items that meet this criterion – grants receivable in the general fund.

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, 2014 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate of the current portion of compensated absences is based on the current amount used.

The sick leave policy of the Board provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

8. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements 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:

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.

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

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

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

9. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$11,347,128 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)	\$ 24,218,493
Less - Accumulated Depreciation	<u>(11,844,886)</u>
	12,373,607
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment Purchase Obligations	(76,014)
Compensated Absences	<u>(950,465)</u>
Total adjustment	<u>\$ 11,347,128</u>

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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 (\$510,637) as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 150,808
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.	(559,434)
New debt issued during the years is recorded as a source of funds on the fund statements; but only affect the statement of net assets in the government-wide statements	(76,014)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(25,997)
	<u>\$ (510,637)</u>

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

During the fiscal year ended June 30, 2014, the Board reported expenditures that violated State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance as follows:

	<u>Amount</u>
State Public School Fund	
Transfer to other funds	\$ 42,713
Capital Outlay Fund	
Land and buildings	\$ 16,520

Corrective Action Plan: Funds will be monitored throughout the year to ensure that state funds paid for Child Nutrition expenditures will be properly budgeted and transferred to the appropriate funds in a timely manner.

B. Noncompliance with North Carolina General Statutes

North Carolina General Statute 115C-445 states all moneys collected in excess of \$250, shall be deposited daily. Moneys collected at Gates County High School were not deposited timely. Of the two months of deposits tested, 48% deposits were late.

Corrective Action Plan: Communication has been established with responsible parties at the school level about the importance of timely deposits as set forth in the General Statutes. These will be monitored. Also, a back-up person has been designated to ensure that monies are deposited daily, in the event that the bookkeeper is not present.

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity of the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding custodial credit risk for deposits.

At June 30, 2014 the Board had deposits with banks with a carrying amount of \$1,878,610 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer was \$2,034,368 and \$260,585, respectively. Of these balances, \$261,873 was covered by federal depository insurance and \$1,772,495 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

At June 30, 2014, the Board had petty cash of \$25.

2. Accounts Receivable

Receivables at the government-wide level at June 30, 2014, were as follows:

	Due from other funds (internal balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ 5,560	\$ -	\$ -	\$ 5,560
Other governmental	(8,909)	319,145	963	311,199
Total governmental activities:	<u>\$ (3,349)</u>	<u>\$ 319,145</u>	<u>\$ 963</u>	<u>\$ 316,759</u>
Business-type activities				
School Food Service	\$ -	\$ 26,410	4,288	\$ 30,698
Child Care	3,349	2,217	19,065	24,631
	<u>\$ 3,349</u>	<u>\$ 28,627</u>	<u>\$ 23,353</u>	<u>\$ 55,329</u>

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

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

Due from other governments consists of the following:

Governmental activities:			
State Public School Fund	\$ 285,551	Operating revenues from DPI	
Federal Grants Fund	25,558	Federal grants funds	
Other Specific Revenue Fund	8,036	MAC reimbursement	
Total governmental activities	<u>\$ 319,145</u>		
Business-type activities:			
School Food Service Fund	\$ 26,410	USDA reimbursement	
Child Care Fund	2,217	DSS fees	
Total governmental activities	<u>\$ 28,627</u>		

3. **Capital Assets**

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 53,670	\$ -	\$ -	\$ 53,670
Construction in progress	-	51,570	-	51,570
Total capital assets not being depreciated	<u>53,670</u>	<u>51,570</u>	<u>-</u>	<u>105,240</u>
Capital assets being depreciated:				
Buildings	21,647,001	-	-	21,647,001
Equipment and furniture	828,262	23,224	-	851,486
Vehicles	1,538,752	76,014	-	1,614,766
Total capital assets being depreciated	<u>24,014,015</u>	<u>99,238</u>	<u>-</u>	<u>24,113,253</u>
Less accumulated depreciation for:				
Buildings	9,725,146	394,299	-	10,119,445
Equipment and furniture	603,309	82,637	-	685,946
Vehicles	956,997	82,498	-	1,039,495
Total accumulated depreciation	<u>11,285,452</u>	<u>559,434</u>	<u>-</u>	<u>11,844,886</u>
Total capital assets being depreciated, net	<u>12,728,563</u>			<u>12,268,367</u>
Governmental activity capital assets, net	<u>\$ 12,782,233</u>			<u>\$ 12,373,607</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 486,721
Operational support services	72,713
Total	<u>\$ 559,434</u>

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Food service equipment	\$ 280,820	\$ -	\$ -	\$ 280,820
Total capital assets being depreciated	<u>280,820</u>	<u>-</u>	<u>-</u>	<u>280,820</u>
Less accumulated depreciation for:				
Food service equipment	<u>231,917</u>	<u>10,168</u>	<u>-</u>	<u>242,085</u>
Total accumulated depreciation	<u>231,917</u>	<u>10,168</u>	<u>-</u>	<u>242,085</u>
Business-type activities capital assets, net	<u><u>\$ 48,903</u></u>			<u><u>\$ 38,735</u></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 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 14.69% 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, 2014, 2013, and 2012, and were \$1,528,217, \$1,546,376, and \$1,407,416, 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.

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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 pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2014, 2013, and 2012, the School Board paid all annual required contribution to the Plan for postemployment healthcare benefits of \$561,770, \$576,080, and \$536,363, respectively. These contributions represented 5.40%, 5.30%, and 5.00%, 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),

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the Retirement System; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service at any age.

The monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one twelfth of the annual longevity payment to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, and other federal agency or any payments made under the provisions of G.S. 127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which you might be entitled should you become age 62 during the first 36 months. After 36 months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and in receipt of primary Social Security disability benefits. 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, 2014, 2013, and 2012, the Board paid all annual required contributions to the DIPNC for disability benefits of \$45,774, \$47,809, and \$55,782, respectively. These contributions represented 0.44%, 0.44%, and 0.52% of covered payroll, respectively.

3. Accounts Payable

Accounts payable as of June 30, 2014, are as follows:

	<u>Salaries and</u> <u>Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 346	\$ 170,367	\$ 170,713
Other governmental	316,196	16,528	332,724
Total governmental activities:	<u>\$ 316,542</u>	<u>\$ 186,895</u>	<u>\$ 503,437</u>

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

4. Deferred Inflows of Resources

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

	Unearned Revenue
Grants not yet earned (Other Specific Revenue Fund)	<u>\$ 2,018</u>

5. Risk Management

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

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

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

a. Installment Purchase

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The state has accepted a bid to purchase

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

replacement school buses through a special third party financing arrangement by Banc of America Public Capital Corporation (BAPCC) at total payments less than the purchase price. In February 2014, the Board entered into an installment purchase contract to finance the purchase of one school bus. The financing contract requires only principal payments of \$19,903.

The future minimum payments of the installment purchase as of June 30, 2014, including \$718 implied interest:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2015	\$ 38,007	\$ 359
2016	19,004	180
2017	19,003	179
2018	-	-
2019	-	-
Thereafter	-	-
Total	<u>\$ 76,014</u>	<u>\$ 718</u>

b. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2014:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion
<i>Governmental activities:</i>					
Installment purchases	\$ -	\$ 76,014	\$ -	\$ 76,014	\$ 38,007
Compensated absences	924,468	1,222,849	1,196,852	950,465	950,465
Total	<u>\$ 924,468</u>	<u>\$ 1,298,863</u>	<u>\$ 1,196,852</u>	<u>\$ 1,026,479</u>	<u>\$ 988,472</u>
<i>Business-type activities:</i>					
Compensated absences	<u>\$ 36,340</u>	<u>\$ 41,035</u>	<u>\$ 44,764</u>	<u>\$ 32,611</u>	<u>\$ 32,611</u>

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

c. Interfund Balances and Activities

Transfers to/from other funds at June 30, 2014, consist of the following:

	Amount
From the Other Specific Revenue Fund to the Child Care Fund	\$ 9,413
From the State Public School Fund to the School Food Service Fund	42,713
	<u>\$ 52,126</u>

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

d. Fund Balance

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

Total fund balance - General Fund	\$1,183,196
Less:	
Stabilization for State Statute	5,560
Subsequent years expenditures	326,315
Remaining Fund Balance	\$ 851,321
Total fund balance - Other Specific Revenue Fund	\$ 45,476
Less:	
Stabilization for State Statute	8,999
Committed for Community Center	4,580
Committed for Grants	3,149
Remaining Fund Balance	\$ 28,748

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

**COMBINING AND INDIVIDUAL
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 Fiscal Year Ended June 30, 2014

	2014		Variance
	Budget	Actual	Positive (Negative)
Revenues			
Gates County:			
Appropriation from county	\$ 2,610,000	\$ 2,610,000	\$ -
Other:			
Fines and forfeitures	70,196	70,196	-
Total revenues	2,680,196	2,680,196	-
Expenditures:			
Instructional services			
Regular instructional	29,752	28,348	1,404
Special populations	8,776	8,776	-
Alternative programs	9,262	9,262	-
School leadership	8,232	8,232	-
Co-curricular	105,495	105,217	278
School-based support	48,400	48,166	234
Total	209,917	208,001	1,916
System-wide support services			
Support and development	12,432	12,432	-
Special populations support and development	9	9	-
Technology support	88,180	88,180	-
Operational support	1,688,828	1,680,617	8,211
Financial and human resources	352,427	203,652	148,775
Accountability	10	10	-
System-wide pupil support	99,399	99,399	-
Policy, leadership, and public relations	210,266	167,717	42,549
Total	2,451,551	2,252,016	199,535
Ancillary services	18,728	18,729	(1)
Total expenditures	2,680,196	2,478,746	201,450
Net change in fund balance	<u>\$ -</u>	201,450	<u>\$ 201,450</u>
Fund balance, beginning		981,746	
Fund balance, ending		<u>\$ 1,183,196</u>	

Gates County Board of Education, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2014

	Special Revenue Funds				Total Non-major Governmental Funds
	Federal Grants	Other Specific Revenue	Individual Schools	Total Special Revenue Funds	Capital Outlay
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 52,491	\$ 162,343	\$ 214,834	\$ 66,131
Accounts receivable	-	963	-	963	-
Due from other governments	25,558	8,036	-	33,594	-
Total current assets	<u>\$ 25,558</u>	<u>\$ 61,490</u>	<u>\$ 162,343</u>	<u>\$ 249,391</u>	<u>\$ 66,131</u>
					<u>\$ 315,522</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 16,528
Accrued salaries and wages payable	25,558	5,087	-	30,645	-
Due to other funds	-	8,909	-	8,909	-
Total liabilities	<u>25,558</u>	<u>13,996</u>	<u>-</u>	<u>39,554</u>	<u>16,528</u>
					<u>56,082</u>
Deferred inflows of resources	-	2,018	-	2,018	-
					<u>2,018</u>
Fund balances:					
Restricted:					
Stabilization by State Statute	-	8,999	-	8,999	-
School Capital Outlay	-	-	-	-	49,603
Individual Schools	-	-	162,343	162,343	-
Committed by Board	-	7,729	-	7,729	-
Unassigned	-	28,748	-	28,748	-
Total fund balance	<u>-</u>	<u>45,476</u>	<u>162,343</u>	<u>207,819</u>	<u>49,603</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 25,558</u>	<u>\$ 61,490</u>	<u>\$ 162,343</u>	<u>\$ 249,391</u>	<u>\$ 66,131</u>
					<u>\$ 315,522</u>

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

Gates County Board of Education, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds				Total Non-major Governmental Funds
	Federal Grants	Other Specific Revenue	Individual Schools	Total Special Revenue Funds	Capital Outlay
Revenues					
Gates County:					
County appropriation	\$ -	\$ -	\$ -	\$ -	\$ 100,000
Community Center appropriation	-	208,696	-	208,696	-
Total Gates County	-	208,696	-	208,696	100,000
U. S. Government	925,586	30,573	-	956,159	-
State of North Carolina:					
Other	-	286,433	-	286,433	-
Contributions and donations	-	-	66,305	66,305	-
Other:					
Interest income	-	1,477	-	1,477	101
Sales and use tax refund	-	15,026	-	15,026	969
Indirect cost allocation	-	34,642	-	34,642	-
Miscellaneous revenue	-	104,711	-	104,711	-
Activity bus	-	100,693	-	100,693	-
Rental of school property	-	5,198	-	5,198	-
Tuition and fees	-	19,500	-	19,500	-
Clubs and organizations	-	-	124,281	124,281	-
Fundraisers	-	-	131,741	131,741	-
Athletics	-	-	135,794	135,794	-
Total other	-	281,247	391,816	673,063	1,070
Total revenues	925,586	806,949	458,121	2,190,656	101,070

Gates County Board of Education, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds				Total Non-major Governmental Funds
	Federal Grants	Other Specific Revenue	Individual Schools	Total Special Revenue Funds	Capital Outlay
Expenditures:					
Instructional services					
Regular instructional	109,292	104,521	-	213,813	-
Special populations	330,409	31,358	-	361,767	-
Alternative programs	400,110	163,522	-	563,632	-
School leadership	-	44,834	-	44,834	-
School-based support	6,713	131,143	445,542	583,398	-
Total	846,524	475,378	445,542	1,767,444	-
System-wide support services					
Support and development	139	5,175	-	5,314	-
Special populations support and development	8,800	1,939	-	10,739	-
Alternative programs and services support and development	21,537	-	-	21,537	-
Technology support	-	1,040	-	1,040	-
Operational support	10,301	32,071	-	42,372	-
Financial and human resources	4,975	18,249	-	23,224	-
Accountability	-	4,861	-	4,861	-
System-wide pupil support	-	1,367	-	1,367	-
Policy, leadership, and public relations	-	13,012	-	13,012	-
Total	45,752	77,714	-	123,466	-
Ancillary services	-	235,047	-	235,047	-
Non-programmed charges	33,310	-	-	33,310	-

Gates County Board of Education, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds				Total Non-major Governmental Funds
	Federal Grants	Other Specific Revenue	Individual Schools	Total Special Revenue Funds	Capital Outlay
Capital outlay:					
Real property and buildings	-	-	-	-	117,579
Buses and motor vehicles	-	-	-	-	76,014
Total	-	-	-	-	193,593
Total expenditures	925,586	788,139	445,542	2,159,267	193,593
Excess of revenues over expenditures	-	18,810	12,579	31,389	(92,523)
Other financing sources (uses):					
Installment purchase obligation issued	-	-	-	-	76,014
Transfers to other funds	-	(9,413)	-	(9,413)	-
Total other financing sources (uses)	-	(9,413)	-	(9,413)	76,014
Net change in fund balance	-	9,397	12,579	21,976	(16,509)
Fund balance, beginning	-	36,079	149,764	185,843	66,112
Fund balance, ending	\$ -	\$ 45,476	\$ 162,343	\$ 207,819	\$ 49,603

Gates County Board of Education, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Federal Grants Fund
For the Fiscal Year Ended June 30, 2014

	2014		Variance
	Budget	Actual	Positive (Negative)
Revenues			
U. S. Government	\$ 1,204,470	\$ 925,586	\$ (278,884)
Expenditures:			
Instructional services			
Regular instructional	113,431	109,292	4,139
Special populations	451,863	330,409	121,454
Alternative programs	439,699	400,110	39,588
School-based support	7,619	6,713	906
Total	<u>1,012,612</u>	<u>846,524</u>	<u>166,087</u>
System-wide support services			
Support and development	2,267	139	2,128
Special populations support and development	10,312	8,800	1,512
Alternative programs and services support and development	22,605	21,537	1,068
Operational support	10,301	10,301	1
Financial and human resources	5,412	4,975	437
Total	<u>50,897</u>	<u>45,752</u>	<u>5,146</u>
Non-programmed charges	<u>140,961</u>	<u>33,310</u>	<u>107,651</u>
Total expenditures	<u>1,204,470</u>	<u>925,586</u>	<u>278,884</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		-	
Fund balance, ending		<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 Fiscal Year Ended June 30, 2014**

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues			
U. S. Government	\$ 53,538	\$ 30,573	\$ (22,965)
State of North Carolina	286,433	286,433	-
Gates County:			
Community Center appropriation	208,696	208,696	-
Other:			
Indirect cost allocation	34,694	34,642	(52)
Interest earned on investments	1,403	1,477	74
Miscellaneous revenue	111,201	104,711	(6,490)
Rental of school property	5,198	5,198	-
Activity bus	98,316	100,693	2,377
Sales tax	15,026	15,026	-
Tuition and fees	18,596	19,500	904
Total other	284,434	281,247	(3,187)
Total revenues	833,101	806,949	(26,152)
Expenditures:			
Instructional services			
Regular instructional	106,177	104,521	1,657
Special populations	63,851	31,358	32,493
Alternative programs	163,522	163,522	-
School leadership	44,834	44,834	-
School-based support	137,314	131,143	6,171
Total	515,698	475,378	40,320

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 Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
System-wide support services			
Support and development	5,175	5,175	-
Special populations support and development	1,939	1,939	-
Technology support	1,040	1,040	-
Operational support	32,071	32,071	-
Financial and human resources	18,249	18,249	-
Accountability	4,861	4,861	-
System-wide pupil support	1,367	1,367	-
Policy, leadership, and public relations	13,012	13,012	-
Total	<u>77,714</u>	<u>77,714</u>	<u>-</u>
Ancillary services	242,750	235,047	7,703
Total expenditures	<u>836,162</u>	<u>788,139</u>	<u>48,023</u>
Excess of revenues over expenditures	<u>(3,061)</u>	<u>18,810</u>	<u>(21,871)</u>
Other financing sources (uses)			
Fund balance appropriated	12,474	-	12,474
Transfer to other funds	<u>(9,413)</u>	<u>(9,413)</u>	<u>-</u>
Total	<u>3,061</u>	<u>(9,413)</u>	<u>12,474</u>
Net change in fund balance	<u>\$ -</u>	<u>9,397</u>	<u>\$ 9,397</u>
Fund balance, beginning		36,079	
Fund balance, ending		<u>\$ 45,476</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 Fiscal Year Ended June 30, 2014

	2014		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Gates County:			
Appropriation from county	\$ 100,000	\$ 100,000	\$ -
Other:			
Interest earned on investments	91	101	10
Sales tax refund	968	969	1
Total other	1,059	1,070	11
Total revenues	101,059	101,070	11
Expenditures:			
Capital Outlay:			
Land and buildings	101,059	117,579	(16,520)
Vehicles	76,014	76,014	-
Total expenditures	177,073	193,593	(16,520)
Excess of revenues over expenditures	(76,014)	(92,523)	16,509
Other financing sources			
Installment purchase obligation	76,014	76,014	-
Net change in fund balance	\$ -	(16,509)	\$ (16,509)
Fund balance, beginning		66,112	
Fund balance, ending		\$ 49,603	

Gates County Board of Education, North Carolina
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
School Food Service Fund
For the Fiscal Year Ended June 30, 2014

	2014		Variance
	Budget	Actual	Positive (Negative)
Operating revenues, food sales	\$ 271,199	\$ 261,251	\$ (9,948)
Operating expenditures:			
Business support services:			
Purchase of food	-	306,385	-
Donated commodities	-	55,487	-
Salaries and benefits	-	492,295	-
Indirect costs	-	81,598	-
Materials and supplies	-	34,890	-
Contracted services	-	13,175	-
Travel	-	475	-
Other	-	1,423	-
Total operating expenditures	1,038,104	985,728	52,376
Operating loss	(766,905)	(724,477)	42,428
Nonoperating revenues (expenditures):			
Federal reimbursements	575,767	538,696	(37,071)
Federal commodities	55,487	55,487	-
Interest earned	22	24	2
Indirect cost not paid	77,755	81,598	3,843
Depreciation expense	(11,309)	-	11,309
Total nonoperating revenues (expenditures)	697,722	675,805	(21,917)
Excess of revenues over (under) expenditures before other financing sources	(69,183)	(48,672)	20,511
Other financing sources:			
Fund balance appropriated	69,183	-	(69,183)
Transfer from other funds	-	42,713	42,713
Total other financing sources	69,183	42,713	(26,470)
Excess of revenues and other sources over (under) expenditures	\$ -	(5,959)	\$ (5,959)
Reconciliation of modified accrual to full accrual:			
Reconciling items:			
Depreciation		(10,168)	
Indirect costs		81,598	
Indirect costs not paid		(81,598)	
Decrease in inventory		(5,276)	
Decrease in vacation pay		3,729	
Change in net position (full accrual)		\$ (17,674)	

Gates County Board of Education, North Carolina
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Child Care Fund
For the Fiscal Year Ended June 30, 2014

	2014		Variance
	Budget	Actual	Positive (Negative)
Child care fees	\$ 180,000	\$ 182,864	\$ 2,864
Expenditures:			
Regular community service:			
Salaries and benefits	159,702	159,702	-
Purchase of food	19,570	19,575	(5)
Materials and supplies	9,187	6,087	3,100
Contracted services	72	72	-
Workshops	502	502	-
Other	225	225	-
Total expenditures	<u>189,258</u>	<u>186,163</u>	<u>3,095</u>
Revenues over expenditures	(9,258)	(3,299)	5,959
Other financing sources:			
Transfer from other funds	<u>9,258</u>	<u>9,413</u>	<u>155</u>
Revenues and other sources over expenditures	<u>\$ -</u>	6,114	<u>\$ 6,114</u>
Reconciliation of modified accrual to full accrual:			
Reconciling items:			
Indirect costs		-	
Change in net position (full accrual)		<u>\$ 6,114</u>	

COMPLIANCE SECTION



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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, North Carolina as of and for the year ended June 30, 2014, 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 13, 2014.

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

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misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as 2014-1 in the accompanying schedule of findings and questioned costs to be a material weakness.

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, 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 2014-2 and 2014-3.

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.

A handwritten signature in blue ink, reading "Douglas A. McCallister, P.C." with a large, stylized initial "D" on the left.

Elizabeth City, North Carolina
October 13, 2014



DOUGLAS A. HOLLOWELL P.C.

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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 Auditors' 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 federal programs for the year ended June 30, 2014. 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.

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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, 2014.

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 13, 2014



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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 Member 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, 2014. 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.

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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, 2014.

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 2014-2 and 2014-3. 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 2014-2 and 2014-3 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 and corrective action. 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.

A handwritten signature in blue ink, reading "Douglas A. Halliwell, P.C.". The signature is fluid and cursive, with a large initial "D" and "H".

Elizabeth City, North Carolina
October 13, 2014

Gates County Board of Education, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section I. Summary of Auditors' Results
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Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

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

Noncompliance material to financial
statements noted yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes X no

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

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

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 federal programs:

CFDA Numbers	Names of Federal Program or Cluster
84.010	Title I Grants to Local Education Agencies-Basic
10.553 & 10.555	Child Nutrition Program Cluster

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

Auditee qualified as low-risk auditee? yes X no

**Gates County Board of Education, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014**

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

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

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

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 State programs:

Program Name
State Public School Fund

Section II. Financial Statement Findings

Finding: 2014-1

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 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: Communication has been established with all parties at the school level concerning the importance of timely deposits as set forth in the General Statutes. Back-up personnel are currently being trained to ensure that monies are deposited daily, in the event of an absence by the bookkeeper. This will be closely monitored.

**Gates County Board of Education, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014**

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs
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***N.C. Department of Public Instruction
Program Name: State Public School Fund***

FINDING: 2014-2

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: Ten student athletes did not have a signed information sheet. There were no concussion forms completed for coaches, nurses, first responders, or volunteers for Gates County High School. There were two coaches who did not have concussion forms for Central Middle School.

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 and that a signed information sheet was maintained for coaches, nurses, first responders and volunteers.

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 and that there is a signed information sheet for all coaches, nurses, first responders, and volunteers.

Views of responsible officials and planned corrective actions: At the high school, a different assistant principal is now assigned to handle athletics. At the October City/County Athletic Directors meeting, a new High School Athletic Eligibility Form was previewed which will allow the school's athletic director to document receiving the Gfeller-Waller concussion forms. We will institute use of that form at our high school and at our middle school. The administrators at both schools are aware of the necessity to verify the receipt of the signed concussion forms for the parents, athletes, coaches, then nurses, first responders, or volunteers participating in each sport.

**Gates County Board of Education, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014**

Section IV. State Award Findings and Questioned Costs (cont'd)

***N.C. Department of Public Instruction
Program Name: State Public School Fund
FINDING: 2014-3***

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 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: While the EAP did include documentation of review by an athletic trainer licensed in North Carolina, it was not updated and approved with the new required language for lightning procedures. There was no 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 documentation of review by an athletic trainer licensed in North Carolina when changes are implemented and 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: The Emergency Action Plans will be reviewed three times at least throughout the school year to be sure it is updated. Documentation of review and rehearsal by all staff and volunteers associated with interscholastic athletic activities will be done using the new High School Athletic Eligibility Form at both the high school and the middle school.

**Gates County Board of Education, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2014**

Section II. Financial Statement Findings

Finding: 2014-1

MATERIAL WEAKNESS

Name of contact person: Rube Blanchard, Finance Officer

Corrective Action: Communication has been established with all parties at the school level concerning the importance of timely deposits as set forth in the General Statutes. Back-up personnel are currently being trained to ensure that monies are deposited daily, in the event of an absence by the bookkeeper. This will be closely monitored.

Proposed Completion Date: October 31, 2014

Section IV. State Award Findings and Questioned Costs
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Finding: 2014-2

SIGNIFICANT DEFICIENCY

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

Corrective Action: At the high school, a different assistant principal is now assigned to handle athletics. At the October City/County Athletic Directors meeting, a new High School Athletic Eligibility Form was previewed which will allow the school's athletic director to document receiving the Gfeller-Waller concussion forms. We will institute use of that form at our high school and at our middle school. The administrators at both schools are aware of the necessity to verify the receipt of the signed concussion forms for the parents, athletes, coaches, then nurses, first responders, or volunteers participating in each sport.

Proposed Completion Date: The new eligibility form should be in place by November 17, 2014.

**Gates County Board of Education, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2014**

Section IV. State Award Findings and Questioned Costs (cont'd)

Finding: 2014-3

SIGNIFICANT DEFICIENCY

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

Corrective Action: The Emergency Action Plans will be reviewed three times at least throughout the school year to be sure it is updated. Documentation of review and rehearsal by all staff and volunteers associated with interscholastic athletic activities will be done using the new High School Athletic Eligibility Form at both the high school and the middle school.

Proposed Completion Date: The Emergency Action Plans will be reviewed by local certified athletic trainers and LEA staff. 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, 2015.

**Gates County Board of Education, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2014**

Section II. Financial Statement Findings

Finding: 2013-1

Status: This finding has been corrected.

Finding: 2013-2

Status: This finding has been repeated.

Section IV. State Award Findings and Questioned Costs
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Finding: 2013-3

Status: This finding has been repeated.

Finding: 2013-4

Status: This finding has been repeated.

**Gates County Board of Education, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Federal Grants:			
<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		<u>55,487</u>
Non-Cash Assistance			<u>55,487</u>
Cash Assistance			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553		\$ <u>388,379</u>
National School Lunch Program	10.555		<u>150,838</u>
Total Cash Assistance			<u>539,217</u>
Total U. S. Department of Agriculture			<u>594,704</u>
<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	<u>416,902</u>
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B) - Education of the Handicapped	84.027	PRC 060	249,998
IDEA - Children with Disabilities - Risk Pool	84.027	PRC 114	57,643
IDEA VI-B Special Needs Targeted Assistance	84.027	PRC 118	10,879
Special Education - Preschool Grants (IDEA Preschool) - Preschool Handicapped	84.173	PRC 049	22,410
IDEA - Targeted Assistance for Preschool Federal Grant	84.173	PRC 119	<u>1,933</u>
Total Special Education Cluster:			<u>342,863</u>
NC State Improvement Project (NC SIP)	84.323	PRC 082	<u>14,663</u>
Adult Education - Basic Grants to States	84.048	PRC 017	<u>20,131</u>
Improving Teacher Quality State Grants	84.367	PRC 103	75,352
Rural Education	84.358	PRC 109	24,038
ARRA - Race to the Top	84.395	PRC 156	<u>31,637</u>
Total U. S. Department of Education			<u>925,586</u>
<u>U.S. Department of Health and Human Services</u>			
Division of Social Services:			
Medical Assistance Program	93.999		<u>25,573</u>
National Endowment for the Arts			
A+ Grant	45.024	13-5100-7137	<u>3,507</u>
Total federal assistance			<u>1,549,370</u>

Gates County Board of Education, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
State Grants:			
Cash Assistance			
<u>N. C. Department of Public Instruction:</u>			
State Public School Fund			\$ 11,857,371
Driver Training - SPSF		PRC 012	29,090
School Technology Fund - SPSF		PRC 015	24,150
Vocational Education			
- State Months of Education		PRC 013	690,978
- Program Support Funds		PRC 014	120,843
Total N. C. Department of Public Instruction			<u>12,722,432</u>
<u>N. C. Arts Council - Department of Cultural Resources:</u>			
Cultural Resources Grant		FY14-78678	6,940
Cultural Resources Grant		FY14-78263	6,300
Total N. C. Arts Council - Department of Cultural Resources			<u>13,240</u>
<u>N. C. Department of Health and Human Services:</u>			
School Nurse Grant			98,529
Division of Child Development:			
NC Pre-Kindergarten Program			140,362
<u>Department of Juvenile Justice:</u>			
Passed-through Gates County:			
Juvenile Crime Prevention Program			32,831
Non-Cash Assistance			
<u>N. C. Department of Public Instruction:</u>			
School Buses Appropriation			76,014
Textbooks			24,015
Total State Assistance			<u>13,107,423</u>
Total federal and State Assistance			<u>\$ 14,656,793</u>

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.