

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

*Financial Statements
For the Fiscal Year Ended
June 30, 2022*

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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Gates County Board of Education
Gatesville, North Carolina

Report on the Audit of the Financial Statements

Opinions

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, as of and for the year ended June 30, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Gates County Board of Education, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General, State Public School, Federal Grants and Other Specific Revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Gates County Board of Education and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Gates County Board of Education's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Gates County Board of Education's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Gates County Board of Education's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 and the Schedules of the Board's Proportionate Share of the Net Pension Liability, OPEB Liability and OPEB Asset and the Schedules of Board Contributions on pages 48 through 53, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gates County Board of Education's basic financial statements. The accompanying individual fund budgetary schedules and schedule of expenditures of federal and State awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 individual fund budgetary schedules and schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2022, on our consideration of the Gates County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Gates County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gates County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

September 9, 2022
Rockingham, North Carolina
(910) 997-1418

GATES COUNTY BOARD OF EDUCATION 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, 2022. This information should be read in conjunction with the audited financial statements included in this report.

Impact of Coronavirus on District

During the fiscal year, the State and nation continued to be affected by the coronavirus (COVID-19) pandemic. Educational services returned to the traditional classroom environment with remote learning as an option for students preferring that method of instruction. The Board incurred additional expenses as a result of COVID-19 including: the purchase of personal protective equipment, remote learning educational tools, learning loss remediation due to online learning challenges and increases in salaries due to the Board's expansion of summer school programs. The Board received significant grants from the federal government to assist with these additional expenses incurred due to the pandemic.

Financial Highlights

- For the fiscal year ended June 30, 2022, the Board's total government-wide net position increased by \$2.1 million. Governmental activities net position increased by \$1.5 million and business-type activities net position increased by \$552,000.
- The Board continues to move forward on building improvements and expansions when made necessary by changes in enrollments and other needs. The Board is working diligently with the Gates County Board of Commissioners to find ways to fund these needs through the use of available funding sources.

Overview of the Financial Statements

The audited financial statements of the Gates County Board of Education consist of five 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 the Schedules of the Board's Proportionate Share of Net Pension and OPEB Liabilities (Assets) and the Schedules of Board Contributions.*
- *Supplementary section that presents budgetary and other schedules for governmental and enterprise funds.*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *Government-wide Statements*. The government-wide statements are presented on the full accrual basis of accounting and include the statement of net position and the statement of activities. The statement of net position includes all of the Board's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets, deferred outflows of resources, 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

GATES COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 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 each of the financial resources of each of the Board's major funds.

Government-wide Statements

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Board's assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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 is the difference between the Board's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. This 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, you need to 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 is included here.

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

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's funds, focusing on its most significant or "major" funds - not the unit as a whole. 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 to control and manage money for a particular purpose or to show that it is properly using certain revenues, such as in the Federal Grants Fund.

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 – 1) how cash and other assets that can readily be converted to cash flow in and out, and 2) 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, additional information at the bottom of the governmental fund statements,

**GATES COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

in the form of a reconciliation, 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 Federal Grants Fund, the Other Special Revenue Fund, the Capital Outlay Fund and the Individual Schools Fund. The governmental fund statements are shown as 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. The 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 shown as Exhibits 7, 8, and 9 of this report.

Financial Analysis of the Board as a Whole

Total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$7.4 million as of June 30, 2022 as compared to \$9.2 million as of June 30, 2021, an improvement of \$2.1 million.

Following is a summary of the Statement of Net Position at June 30, 2022 and 2021:

**Table 1
Condensed Statement of Net Position
As of June 30, 2022 and 2021**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/22	6/30/21	6/30/22	6/30/21	6/30/22	6/30/21
Current and other assets	\$ 1,805,194	\$ 2,490,138	\$ 459,023	\$ 244,966	\$ 2,264,217	\$ 2,735,104
Capital assets	19,340,906	20,107,331	71,209	36,807	19,412,115	20,144,138
Total assets	<u>21,146,100</u>	<u>22,597,469</u>	<u>530,232</u>	<u>281,773</u>	<u>21,676,332</u>	<u>22,879,242</u>
Deferred outflows of resources	6,350,329	5,482,176	215,198	228,425	6,565,527	5,710,601
Current liabilities	944,070	1,445,767	19,933	16,305	964,003	1,462,072
Long-term liabilities	23,354,425	26,255,573	813,156	1,119,941	24,167,581	27,375,514
Total liabilities	<u>24,298,495</u>	<u>27,701,340</u>	<u>833,089</u>	<u>1,136,246</u>	<u>25,131,584</u>	<u>28,837,586</u>
Deferred inflows of resources	10,143,350	8,572,563	343,736	357,190	10,487,086	8,929,753
Net investment in capital assets	19,340,906	20,086,171	71,209	36,807	19,412,115	20,122,978
Restricted net position	446,477	507,383	1,614	1,291	448,091	508,674
Unrestricted net position (deficit)	<u>(26,732,799)</u>	<u>(28,787,812)</u>	<u>(504,218)</u>	<u>(1,021,336)</u>	<u>(27,237,017)</u>	<u>(29,809,148)</u>
Total net position (deficit)	<u>\$ (6,945,416)</u>	<u>\$ (8,194,258)</u>	<u>\$ (431,395)</u>	<u>\$ (983,238)</u>	<u>\$ (7,376,811)</u>	<u>\$ (9,177,496)</u>

Net position is an indicator of the fiscal health of the Board. The net position of the Board's governmental activities increased \$1.5 million during the year, from \$(8.2) million at June 30, 2021 to \$(6.9) million at June 30, 2022, indicating an improvement in the financial condition of the Board. In addition, beginning net position was decreased by \$293,000 for the effects of two prior period adjustments See footnotes 5 and 6 for more discussion of these prior period adjustments. Restricted net position decreased by \$61,000 while unrestricted net position increased \$2.1 million over the prior year. Net investment in capital assets decreased \$745,000 due to an excess of depreciation expense over capital additions for the year. Deferred outflows and inflows of resources relate entirely to the pension and OPEB plans which the Board participates in. The Board is required to record its proportionate share of these items along

**GATES COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

with its proportionate share of the plan liabilities. See Note 2 of the financial statements for more details regarding these plans.

Net position of the Board's business-type activities increased \$552,000 during the year. This increase is the combined net profit reported by our school food service and child care operations during the 2022 fiscal year.

The following table shows the revenues and expenses of the Board for the current and prior fiscal years:

Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/22	6/30/21	6/30/22	6/30/21	6/30/22	6/30/21
Revenues:						
Program revenues:						
Charges for services	\$ 387,737	\$ 188,111	\$ 311,689	\$ 286,342	\$ 699,426	\$ 474,453
Operating grants and contributions	17,326,095	14,407,895	1,144,053	773,653	18,470,148	15,181,548
Capital grants and contributions	21,160	-	-	-	21,160	-
General revenues:						
County appropriations	3,084,239	3,317,575	-	-	3,084,239	3,317,575
State appropriations	2,511,560	2,401,109	-	-	2,511,560	2,401,109
Other revenues	774,135	394,244	137,253	13,068	911,388	407,312
Total revenues	<u>24,104,926</u>	<u>20,708,934</u>	<u>1,592,995</u>	<u>1,073,063</u>	<u>25,697,921</u>	<u>21,781,997</u>
Expenses:						
Governmental activities:						
Instructional services	15,640,867	14,388,347	-	-	15,640,867	14,388,347
System-wide support services	5,716,929	4,780,462	-	-	5,716,929	4,780,462
Ancillary services	402,622	249,216	-	-	402,622	249,216
Payments to other governments	25,142	28,953	-	-	25,142	28,953
Interest on long-term debt	5,741	-	-	-	5,741	-
Unallocated depreciation	676,918	543,639	-	-	676,918	543,639
Business-type activities:						
School food service	-	-	612,238	736,516	612,238	736,516
Child care	-	-	523,688	301,617	523,688	301,617
Total expenses	<u>22,468,219</u>	<u>19,990,617</u>	<u>1,135,926</u>	<u>1,038,133</u>	<u>23,604,145</u>	<u>21,028,750</u>
Excess (deficiency) of revenues over expenses before transfers	1,636,707	718,317	457,069	34,930	2,093,776	753,247
Transfers in (out)	(94,774)	(95,556)	94,774	95,556	-	-
Increase (decrease) in net position	<u>1,541,933</u>	<u>622,761</u>	<u>551,843</u>	<u>130,486</u>	<u>2,093,776</u>	<u>753,247</u>
Beginning net position, as previously reported	(8,194,258)	(8,817,019)	(983,238)	(1,113,724)	(9,177,496)	(9,930,743)
Restatement	(293,091)	-	-	-	(293,091)	-
Beginning net position (deficit), as restated	<u>(8,487,349)</u>	<u>(8,817,019)</u>	<u>(983,238)</u>	<u>(1,113,724)</u>	<u>(9,470,587)</u>	<u>(9,930,743)</u>
Ending net position (deficit)	<u>\$ (6,945,416)</u>	<u>\$ (8,194,258)</u>	<u>\$ (431,395)</u>	<u>\$ (983,238)</u>	<u>\$ (7,376,811)</u>	<u>\$ (9,177,496)</u>

Total governmental activities generated revenues of \$24.1 million while expenses in this category totaled \$22.5 million for the year ended June 30, 2022, resulting in an increase in net position of \$1.5 million (including transfers to business-type activities of \$95,000). Comparatively, revenues were \$20.7 million,

GATES COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

expenses totaled \$20.0 million and transfers out were \$96,000 for the year ended June 30, 2021, resulting in an increase in net position of \$623,000. In comparing the two years, revenues increased \$3.4 million, or 16.4%, while expenses increased \$2.5 million, or 12.4%. Revenues and expenditures in the State Public School Fund and Federal Grants Fund increased by a combined total of \$3.1 million over the prior year, which accounted for the majority of total increases in revenues and expenses.

The Board's primary sources of revenues were funding from the State of North Carolina, Gates County, and the United States Government, which respectively comprised 66.3%, 13.9% and 14.6% of our total revenues. As would be expected, the major component of our expenses was instructional services which accounted for 69.6% of our total expenses during the most recent fiscal year. Of the remaining 30.4% of our total expenses, 25.4% was attributable to system-wide support services.

Our business-type activities generated revenues of \$1.6 million, expenses of \$1.1 million and reported transfers in from governmental activities of \$95,000 for the year ended June 30, 2022. For the year, net position increased by \$552,000. Comparatively, revenues were \$1.1 million, expenses were \$1.0 million and transfers in from governmental activities totaled \$96,000 for the year ended June 30, 2021, resulting in an increase in net position of \$130,000. In comparing the two periods, revenues increased \$520,000 while expenses increased \$98,000. With students returning to the classroom in the 2022 year, the number of meals served increased to a more normal, pre-pandemic level. As would be expected with the increase in meals served, revenues, food costs and salaries and benefits expenses all increased significantly. Expenses were also significantly impacted by a year-over-year decrease of \$414,000 in pension and OPEB expense due to changes in actuarial valuations and allocation percentages.

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.

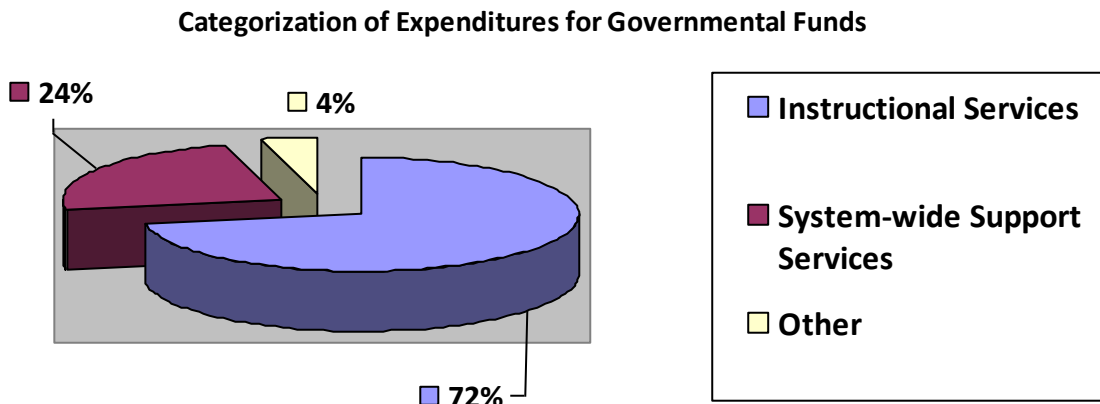
The Board's governmental funds reported a combined fund balance of \$1.4 million at June 30, 2022, a decrease of \$384,000 from the \$1.7 million reported at June 30, 2021. Revenues were \$24.2 million for the year ended June 30, 2022, compared to \$20.5 million in the prior year, an increase of \$3.7 million, or 18.1%. Expenditures were \$24.5 million for the current year, compared to \$20.2 million in the prior year, an increase of \$4.3 million, or 21.4%. Revenues increased due primarily to the receipt of federal COVID-19 grants in the State Public School and Federal Grants funds. Increases in instructional and system-wide support service costs accounted for the majority of the overall increase in expenditures.

The Board's General Fund reported a decrease in fund balance of \$301,000 during the 2021-2022 year compared to an increase of \$111,000 in the 2020-2021 year. Revenues were consistent with the prior year while expenditures reported an increase of \$440,000, primarily for system-wide support services.

The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues are expended in the year received. Combined revenues and expenditures in these funds increased \$3.1 million over the prior year. The increase is primarily attributable to the receipt of federal COVID-19 grant funding.

GATES COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

The following chart summarizes governmental fund expenditures:



Expenditures presented on modified accrual basis of accounting.

Proprietary Funds: The Board's business-type funds, the School Food Service and Child Care funds, reported a combined increase in net position of \$552,000 for the current year compared to a combined increase of \$130,000 for the year ended June 30, 2021. See the section above *Financial Analysis of the Board as a Whole*, for more detailed discussion regarding School Food Service and Child Care program operating results for the year.

General Fund Budgetary Highlights

Over the course of a year, the Board will revise the budget, as necessary, to account for changes in revenue expectations and program allocations. There were no significant variances between actual expenditures and final budget amounts for the year ended June 30, 2022.

Capital Assets

Total primary government capital assets were \$19.4 million at June 30, 2022 compared to \$20.1 million at June 30, 2021, a decrease of 3.6%. This increase was due an excess of depreciation expense over capital additions for the year. More detailed information about the Board's capital assets is contained in Note 2 to the financial statements.

The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2022 and 2021:

Table 3
Summary of Capital Assets
As of June 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/22	6/30/21	6/30/22	6/30/21	6/30/22	6/30/21
Land	\$ 65,470	\$ 65,470	\$ -	\$ -	\$ 65,470	\$ 65,470
Buildings	18,538,033	19,190,185	-	-	18,538,033	19,190,185
Building improvements	16,897	18,253	-	-	16,897	18,253
Equipment and furniture	138,628	135,834	71,209	36,807	209,837	172,641
Vehicles	581,878	697,589	-	-	581,878	697,589
Total	<u>\$ 19,340,906</u>	<u>\$ 20,107,331</u>	<u>\$ 71,209</u>	<u>\$ 36,807</u>	<u>\$ 19,412,115</u>	<u>\$ 20,144,138</u>

**GATES COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Debt Outstanding

During the current year, the Board's long-term debt decreased by \$65,000. 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. More detailed information about the Board's outstanding debt is contained in the Note 2 to the financial statements.

Economic Factors

County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects the school district. The following factors have affected the economic outlook of Gates County:

- As of June 30, 2022, Gates County experienced an unemployment rate of 3.8% as compared to an unemployment rate of 5.2% at June 30, 2021. The unemployment rate for North Carolina at June 30, 2022 was 4.1%.
- Despite decreases in enrollment, the Board continues to anticipate a need for increased classroom space, teachers and equipment due to implementation of a recent State law reducing the classroom size for grades kindergarten through third grade. At the same time, the N.C. Department of Public Instruction is advising school districts to plan for decreased State revenues.
- COVID-19 has resulted in unprecedented economic changes and the potential budgetary impacts have yet to be determined.

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:

Sandra Pittman, Finance Officer
Gates County Board of Education
205 Main Street
Gatesville, NC 27938

GOVERNMENT-WIDE FINANCIAL STATEMENTS

GATES COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2022

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,587,832	\$ 366,501	\$ 1,954,333
Due from other governments	56,663	26,751	83,414
Receivables	11,888	2,463	14,351
Net OPEB asset	10,225	346	10,571
Inventories	-	62,962	62,962
Prepaid expenses	3,000	-	3,000
Right to use leased assets, net of amortization	135,586	-	135,586
Capital assets:			
Land	65,470	-	65,470
Other capital assets, net of depreciation	19,275,436	71,209	19,346,645
Total capital assets	19,340,906	71,209	19,412,115
Total assets	21,146,100	530,232	21,676,332
Deferred Outflows of Resources	6,350,329	215,198	6,565,527
Liabilities			
Accounts payable and accrued expenses	69,728	13	69,741
Due to other governments	232,986	-	232,986
Unearned revenue	-	11,205	11,205
Long-term liabilities:			
Due within one year	641,356	8,715	650,071
Due in more than one year	23,354,425	813,156	24,167,581
Total liabilities	24,298,495	833,089	25,131,584
Deferred Inflows of Resources	10,143,350	343,736	10,487,086
Net position			
Net investment in capital assets	19,340,906	71,209	19,412,115
Restricted for:			
Stabilization by State statute	68,551	-	68,551
School capital outlay	107,524	-	107,524
Instructional services	3,733	-	3,733
Community Center	30,268	-	30,268
Individual schools activities	188,767	-	188,767
DIPNC OPEB plan	47,634	1,614	49,248
Unrestricted (deficit)	(26,732,799)	(504,218)	(27,237,017)
Total net position (deficit)	\$ (6,945,416)	\$ (431,395)	\$ (7,376,811)

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

GATES COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2022

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 7,774,514	\$ -	\$ 8,059,916	\$ -	\$ 285,402	\$ -	\$ 285,402
Special populations	2,498,254	-	2,398,292	-	(99,962)	-	(99,962)
Alternative programs	1,801,775	-	1,910,796	-	109,021	-	109,021
School leadership	1,450,616	-	893,460	-	(557,156)	-	(557,156)
Co-curricular	418,072	268,552	-	-	(149,520)	-	(149,520)
School-based support	1,697,636	-	1,294,724	-	(402,912)	-	(402,912)
System-wide support services:							
Support and development	135,677	-	71,173	-	(64,504)	-	(64,504)
Special population support and development	111,631	-	57,219	-	(54,412)	-	(54,412)
Alternative programs and services support and development	2,924	-	19,797	-	16,873	-	16,873
Technology support	315,810	-	177,727	-	(138,083)	-	(138,083)
Operational support	3,878,409	119,185	1,689,809	21,160	(2,048,255)	-	(2,048,255)
Financial and human resource services	519,092	-	42,222	-	(476,870)	-	(476,870)
Accountability	110,614	-	63,632	-	(46,982)	-	(46,982)
System-wide pupil support	88,670	-	106,003	-	17,333	-	17,333
Policy, leadership and public relations	554,102	-	320,817	-	(233,285)	-	(233,285)
Ancillary services	402,622	-	117,642	-	(284,980)	-	(284,980)
Payments to other governments	25,142	-	102,866	-	77,724	-	77,724
Interest on long-term debt	5,741	-	-	-	(5,741)	-	(5,741)
Unallocated depreciation expense**	676,918	-	-	-	(676,918)	-	(676,918)
Total governmental activities	22,468,219	387,737	17,326,095	21,160	(4,733,227)	-	(4,733,227)
Business-type activities:							
School food service	612,238	48,180	1,130,698	-	-	566,640	566,640
Child care	523,688	263,509	13,355	-	-	(246,824)	(246,824)
Total business-type activities	1,135,926	311,689	1,144,053	-	-	319,816	319,816
Total primary government	\$ 23,604,145	\$ 699,426	\$ 18,470,148	\$ 21,160	(4,733,227)	319,816	(4,413,411)
General revenues:							
Unrestricted county appropriations - operating					2,883,000	-	2,883,000
Unrestricted county appropriations - capital					201,239	-	201,239
Unrestricted State appropriations - operating					2,408,071	-	2,408,071
Unrestricted State appropriations - capital					103,489	-	103,489
Investment earnings, unrestricted					56	18	74
Miscellaneous, unrestricted					774,079	137,235	911,314
Transfers					(94,774)	94,774	-
Total general revenues and transfers					6,275,160	232,027	6,507,187
Change in net position					1,541,933	551,843	2,093,776
Net position (deficit) - beginning					(8,194,258)	(983,238)	(9,177,496)
Restatement (Notes 5 and 6)					(293,091)	-	(293,091)
Net position (deficit) - beginning, as restated					(8,487,349)	(983,238)	(9,470,587)
Net position (deficit) - ending					\$ (6,945,416)	\$ (431,395)	\$ (7,376,811)

**This amount excludes the depreciation that is included in the direct expenses of the various programs.

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

FUND FINANCIAL STATEMENTS

GATES COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

Exhibit 3

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants	Other Specific Revenue	Capital Outlay	Individual Schools	
Assets							
Cash and cash equivalents	\$ 1,007,561	\$ 232,986	\$ -	\$ 50,994	\$ 107,524	\$ 188,767	\$ 1,587,832
Due from other governments	1,080	-	-	55,583	-	-	56,663
Accounts receivable	330	-	-	11,558	-	-	11,888
Prepaid expenditures	3,000	-	-	-	-	-	3,000
Total assets	<u>\$ 1,011,971</u>	<u>\$ 232,986</u>	<u>\$ -</u>	<u>\$ 118,135</u>	<u>\$ 107,524</u>	<u>\$ 188,767</u>	<u>\$ 1,659,383</u>
Liabilities and fund balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 66,038	\$ -	\$ -	\$ 3,690	\$ -	\$ -	\$ 69,728
Due to other governments	-	232,986	-	-	-	-	232,986
Total liabilities	<u>66,038</u>	<u>232,986</u>	<u>-</u>	<u>3,690</u>	<u>-</u>	<u>-</u>	<u>302,714</u>
Fund balances:							
Nonspendable:							
Prepaid expenditures	3,000	-	-	-	-	-	3,000
Restricted:							
Stabilization by State statute	1,410	-	-	67,141	-	-	68,551
School capital outlay	-	-	-	-	107,524	-	107,524
Instructional services	-	-	-	3,733	-	-	3,733
Community Center	-	-	-	30,268	-	-	30,268
Individual schools	-	-	-	-	-	188,767	188,767
Assigned:							
Subsequent year's expenditures	812,820	-	-	-	-	-	812,820
Special revenues	-	-	-	13,303	-	-	13,303
Unassigned	128,703	-	-	-	-	-	128,703
Total fund balances	<u>945,933</u>	<u>-</u>	<u>-</u>	<u>114,445</u>	<u>107,524</u>	<u>188,767</u>	<u>1,356,669</u>
Total liabilities and fund balances	<u>\$ 1,011,971</u>	<u>\$ 232,986</u>	<u>\$ -</u>	<u>\$ 118,135</u>	<u>\$ 107,524</u>	<u>\$ 188,767</u>	<u>\$ 1,659,383</u>

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

GATES COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

Exhibit 3 (continued)

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

Total fund balances of governmental funds	\$ 1,356,669
Net OPEB asset	10,225
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,340,906
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	135,586
Deferred outflows of resources related to pensions	3,513,183
Deferred outflows of resources related to OPEB	2,837,146
Some liabilities, including those for compensated absences, installment purchases, leases and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	(1,563,441)
Net pension liability	(3,306,257)
Net OPEB liability	(19,126,083)
Deferred inflows of resources related to pensions	(4,294,426)
Deferred inflows of resources related to OPEB	<u>(5,848,924)</u>
Net position (deficit) of governmental activities	<u>\$ (6,945,416)</u>

GATES COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2022

Exhibit 4

	Major Funds						Total Governmental Funds
	General	State Public School	Federal Grants	Other Specific Revenue	Capital Outlay	Individual Schools	
Revenues:							
State of North Carolina	\$ -	\$ 15,566,689	\$ -	\$ 365,254	\$ 124,649	\$ -	\$ 16,056,592
Gates County:							
Local current expense	2,883,000	-	-	-	-	-	2,883,000
Other	-	-	-	276,721	200,000	-	476,721
U.S. Government	-	451,204	3,022,731	48,696	-	-	3,522,631
Contributions and donations	-	-	-	34,522	-	-	34,522
Other	35,386	-	-	904,093	26,295	268,552	1,234,326
Total revenues	2,918,386	16,017,893	3,022,731	1,629,286	350,944	268,552	24,207,792
Expenditures:							
Current:							
Instructional services:							
Regular instructional	494,229	8,083,660	623,831	73,724	-	-	9,275,444
Special populations	102,322	1,642,294	624,725	255,535	-	-	2,624,876
Alternative programs	18,967	743,442	960,304	199,359	-	-	1,922,072
School leadership	34,231	1,374,366	6,212	38,381	-	-	1,453,190
Co-curricular	119,322	-	-	49,595	-	261,689	430,606
School-based support	38,143	1,491,655	113,994	356,637	-	-	2,000,429
System-wide support services:							
Support and development	97,761	37,526	26,794	1,240	-	-	163,321
Special population support and development	77,993	57,219	-	2,772	-	-	137,984
Alternative programs and services support and development	-	140	19,657	-	-	-	19,797
Technology support	9,083	323,206	37,363	2,202	-	-	371,854
Operational support	1,578,375	1,362,524	441,036	231,624	11,645	-	3,625,204
Financial and human resource services	272,554	258,810	30,612	34,766	-	-	596,742
Accountability	65,228	63,632	-	3,430	-	-	132,290
System-wide pupil support	2,125	106,003	-	1,110	-	-	109,238
Policy, leadership and public relations	192,234	366,436	24,675	62,226	-	-	645,571
Ancillary services	48,802	54,375	10,662	330,952	-	-	444,791
Non-programmed charges	19,178	-	102,866	5,964	-	-	128,008
Debt service:							
Principal retirement	43,590	-	-	-	21,160	-	64,750
Interest and fees	5,741	-	-	-	-	-	5,741
Capital outlay	-	-	-	-	386,984	-	386,984
Total expenditures	3,219,878	15,965,288	3,022,731	1,649,517	419,789	261,689	24,538,892
Revenues over (under) expenditures	(301,492)	52,605	-	(20,231)	(68,845)	6,863	(331,100)
Other financing sources (uses):							
Transfers to other funds	-	(52,605)	-	-	-	-	(52,605)
Net change in fund balance	(301,492)	-	-	(20,231)	(68,845)	6,863	(383,705)
Fund balances:							
Beginning of year	1,247,425	-	-	134,676	176,369	181,904	1,740,374
End of year	\$ 945,933	\$ -	\$ -	\$ 114,445	\$ 107,524	\$ 188,767	\$ 1,356,669

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

GATES COUNTY BOARD OF EDUCATION**Exhibit 5****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2022**

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

Net changes in fund balances - total governmental funds	\$ (383,705)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(766,425)
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Governmental funds report right to use leased assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the life of the lease and reported as amortization expense. This is the amount by which amortization exceeded capitalized right to use leased asset expenditures in the current period.	(45,195)
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,061,938
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Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	803,122
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	115,689

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	64,750
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Pension (expense) benefit	(878,944)
OPEB (expense) benefit	655,950
Compensated absences	<u>(85,247)</u>

Total changes in net position of governmental activities	<u>\$ 1,541,933</u>
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The notes to the basic financial statements are an integral part of this statement.

GATES COUNTY BOARD OF EDUCATION
Exhibit 6
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2022

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Gates County	2,883,000	2,883,000	2,883,000	-
U.S. Government	-	-	-	-
Other	30,000	33,777	35,386	1,609
Total revenues	2,913,000	2,916,777	2,918,386	1,609
Expenditures:				
Current:				
Instructional services:				
Regular instructional	548,595	489,824	494,229	(4,405)
Special populations	166,854	103,568	102,322	1,246
Alternative programs	15,915	18,967	18,967	-
School leadership	18,398	35,275	34,231	1,044
Co-curricular	132,715	119,322	119,322	-
School-based support	40,177	37,864	38,143	(279)
Total instructional services	922,654	804,820	807,214	(2,394)
System-wide support services:				
Support and development	119,317	97,761	97,761	-
Special population support and development	80,289	77,993	77,993	-
Alternative programs and services support and development	-	-	-	-
Technology support	12,000	9,083	9,083	-
Operational support	1,611,214	1,580,695	1,578,375	2,320
Financial and human resource services	243,302	272,637	272,554	83
Accountability	101,069	65,228	65,228	-
System-wide pupil support	2,000	2,125	2,125	-
Policy, leadership and public relations	236,707	198,124	192,234	5,890
Total system-wide support services	2,405,898	2,303,646	2,295,353	8,293
Ancillary services:				
Community	-	614	614	-
Nutrition	46,963	48,188	48,188	-
Total ancillary services	46,963	48,802	48,802	-
Nonprogrammed charges	20,000	19,178	19,178	-
Debt service:				
Principal retirement	-	43,590	43,590	-
Interest and fees	-	5,741	5,741	-
Total debt service	-	49,331	49,331	-
Total expenditures	3,395,515	3,225,777	3,219,878	5,899
Revenues over (under) expenditures	(482,515)	(309,000)	(301,492)	7,508
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Installment purchase obligations issued	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Fund balance appropriated	482,515	309,000	-	(309,000)
Net change in fund balance	\$ -	\$ -	(301,492)	\$ (301,492)
Fund balances:				
Beginning of year			1,247,425	
End of year			\$ 945,933	

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

GATES COUNTY BOARD OF EDUCATION
Exhibit 6 (continued)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2022

	State Public School Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	\$ 15,193,032	\$ 15,740,048	\$ 15,566,689	\$ (173,359)
Gates County	-	-	-	-
U.S. Government	-	451,204	451,204	-
Other	-	-	-	-
Total revenues	15,193,032	16,191,252	16,017,893	(173,359)
Expenditures:				
Current:				
Instructional services:				
Regular instructional	7,840,294	8,119,395	8,083,660	35,735
Special populations	1,508,968	1,732,076	1,642,294	89,782
Alternative programs	647,281	783,518	743,442	40,076
School leadership	1,367,321	1,377,578	1,374,366	3,212
Co-curricular	-	-	-	-
School-based support	1,234,763	1,495,904	1,491,655	4,249
Total instructional services	12,598,627	13,508,471	13,335,417	173,054
System-wide support services:				
Support and development	31,442	37,526	37,526	-
Special population support and development	58,630	57,219	57,219	-
Alternative programs and services support and development	-	140	140	-
Technology support	355,361	323,511	323,206	305
Operational support	1,263,670	1,362,524	1,362,524	-
Financial and human resource services	268,655	258,810	258,810	-
Accountability	30,600	63,632	63,632	-
System-wide pupil support	101,903	106,003	106,003	-
Policy, leadership and public relations	387,203	366,436	366,436	-
Total system-wide support services	2,497,464	2,575,801	2,575,496	305
Ancillary services:				
Community	20,297	20,297	20,297	-
Nutrition	76,644	34,078	34,078	-
Total ancillary services	96,941	54,375	54,375	-
Nonprogrammed charges	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total debt service	-	-	-	-
Total expenditures	15,193,032	16,138,647	15,965,288	173,359
Revenues over (under) expenditures	-	52,605	52,605	-
Other financing sources (uses):				
Transfers to other funds	-	(52,605)	(52,605)	-
Installment purchase obligations issued	-	-	-	-
Total other financing sources (uses)	-	(52,605)	(52,605)	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balances:				
Beginning of year			-	
End of year			\$ -	

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

GATES COUNTY BOARD OF EDUCATION
Exhibit 6 (continued)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2022

	Federal Grants Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Gates County	-	-	-	-
U.S. Government	5,253,671	5,318,310	3,022,731	(2,295,579)
Other	-	-	-	-
Total revenues	<u>5,253,671</u>	<u>5,318,310</u>	<u>3,022,731</u>	<u>(2,295,579)</u>
Expenditures:				
Current:				
Instructional services:				
Regular instructional	1,693,447	1,702,905	623,831	1,079,074
Special populations	738,943	769,049	624,725	144,324
Alternative programs	1,294,323	1,264,647	960,304	304,343
School leadership	4,000	6,962	6,212	750
Co-curricular	-	-	-	-
School-based support	309,097	345,526	113,994	231,532
Total instructional services	<u>4,039,810</u>	<u>4,089,089</u>	<u>2,329,066</u>	<u>1,760,023</u>
System-wide support services:				
Support and development	17,140	29,171	26,794	2,377
Special population support and development	-	-	-	-
Alternative programs and services support and development	17,648	21,295	19,657	1,638
Technology support	351,301	342,718	37,363	305,355
Operational support	528,657	553,471	441,036	112,435
Financial and human resource services	31,191	31,191	30,612	579
Accountability	-	-	-	-
System-wide pupil support	-	-	-	-
Policy, leadership and public relations	31,893	30,265	24,675	5,590
Total system-wide support services	<u>977,830</u>	<u>1,008,111</u>	<u>580,137</u>	<u>427,974</u>
Ancillary services:				
Community	-	-	-	-
Nutrition	14,542	14,542	10,662	3,880
Total ancillary services	<u>14,542</u>	<u>14,542</u>	<u>10,662</u>	<u>3,880</u>
Nonprogrammed charges	<u>221,489</u>	<u>206,568</u>	<u>102,866</u>	<u>103,702</u>
Debt service:				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>5,253,671</u>	<u>5,318,310</u>	<u>3,022,731</u>	<u>2,295,579</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Installment purchase obligations issued	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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

GATES COUNTY BOARD OF EDUCATION
Exhibit 6 (continued)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2022

	Other Specific Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	\$ 268,672	\$ 368,565	\$ 365,254	\$ (3,311)
Gates County	247,573	276,721	276,721	-
U.S. Government	74,644	77,618	48,696	(28,922)
Other	946,929	945,186	904,093	(41,093)
Total revenues	1,537,818	1,702,612	1,629,286	(73,326)
Expenditures:				
Current:				
Instructional services:				
Regular instructional	101,082	106,027	73,724	32,303
Special populations	220,793	261,735	255,535	6,200
Alternative programs	241,691	203,840	199,359	4,481
School leadership	41,200	38,381	38,381	-
Co-curricular	-	49,993	49,595	398
School-based support	387,625	387,629	356,637	30,992
Total instructional services	992,391	1,047,605	973,231	74,374
System-wide support services:				
Support and development	1,242	1,240	1,240	-
Special population support and development	2,822	2,772	2,772	-
Alternative programs and services support and development	-	-	-	-
Technology support	2,256	2,202	2,202	-
Operational support	159,299	231,624	231,624	-
Financial and human resource services	2,027	34,766	34,766	-
Accountability	1,111	3,430	3,430	-
System-wide pupil support	1,111	1,110	1,110	-
Policy, leadership and public relations	76,817	62,227	62,226	1
Total system-wide support services	246,685	339,371	339,370	1
Ancillary services:				
Community	312,379	341,389	329,028	12,361
Nutrition	3,777	1,924	1,924	-
Total ancillary services	316,156	343,313	330,952	12,361
Nonprogrammed charges	7,217	7,217	5,964	1,253
Debt service:				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total debt service	-	-	-	-
Total expenditures	1,562,449	1,737,506	1,649,517	87,989
Revenues over (under) expenditures	(24,631)	(34,894)	(20,231)	14,663
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Installment purchase obligations issued	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Fund balance appropriated	24,631	34,894	-	(34,894)
Net change in fund balance	\$ -	\$ -	(20,231)	\$ (20,231)
Fund balances:				
Beginning of year			134,676	
End of year			\$ 114,445	

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

GATES COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
June 30, 2022

Exhibit 7

	Enterprise		
	Major Funds		
	School Food Service	Child Care	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 325,901	\$ 40,600	\$ 366,501
Due from other governments	25,710	1,041	26,751
Receivables	-	2,463	2,463
Due from other funds	1,879	-	1,879
Net OPEB asset	184	162	346
Inventories	62,962	-	62,962
Total current assets	416,636	44,266	460,902
Noncurrent assets:			
Capital assets:			
Furniture and equipment, net	71,209	-	71,209
Total assets	487,845	44,266	532,111
Deferred Outflows of Resources	114,287	100,911	215,198
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	13	-	13
Due to other funds	-	1,879	1,879
Compensated absences	8,715	-	8,715
Unearned revenue	11,205	-	11,205
Total current liabilities	19,933	1,879	21,812
Noncurrent liabilities:			
Net pension liability	59,503	52,539	112,042
Net OPEB liability	344,210	303,930	648,140
Compensated absences	24,329	28,645	52,974
Total noncurrent liabilities	428,042	385,114	813,156
Total liabilities	447,975	386,993	834,968
Deferred Inflows of Resources	182,549	161,187	343,736
Net position			
Investment in capital assets	71,209	-	71,209
Restricted for DIPNC OPEB plan	858	756	1,614
Unrestricted (deficit)	(100,459)	(403,759)	(504,218)
Total net position (deficit)	\$ (28,392)	\$ (403,003)	\$ (431,395)

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

GATES COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2022

Exhibit 8

	Enterprise		
	Major Funds		
	School Food Service	Child Care	Totals
Operating revenues:			
Food sales	\$ 48,180	\$ -	\$ 48,180
Child care fees	-	263,509	263,509
Other	1,182	904	2,086
Total operating revenues	49,362	264,413	313,775
Operating expenses:			
Food cost:			
Purchase of food	363,111	26,214	389,325
Donated commodities	62,455	-	62,455
Salaries and benefits	538,348	379,366	917,714
Pension and OPEB expense (benefit)	(433,611)	114,783	(318,828)
Materials and supplies	41,025	2,806	43,831
Repairs and maintenance	8,930	-	8,930
Depreciation	7,767	-	7,767
Contracted services	11,153	-	11,153
Other	13,060	519	13,579
Total operating expenses	612,238	523,688	1,135,926
Operating income (loss)	(562,876)	(259,275)	(822,151)
Nonoperating revenues:			
Federal reimbursements	1,068,243	-	1,068,243
Federal commodities	62,455	-	62,455
State grants	-	13,355	13,355
Interest earned	18	-	18
Contracted service revenues	-	135,149	135,149
Total nonoperating revenues	1,130,716	148,504	1,279,220
Income (loss) before transfers and contributions	567,840	(110,771)	457,069
Transfers from other funds	52,605	-	52,605
Capital contributions	42,169	-	42,169
Change in net position	662,614	(110,771)	551,843
Net position (deficit), beginning of year	(691,006)	(292,232)	(983,238)
Net position (deficit), end of year	\$ (28,392)	\$ (403,003)	\$ (431,395)

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

GATES COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2022

Exhibit 9

	Enterprise		
	Major Funds		
	School Food Service	Child Care	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 48,044	\$ 262,110	\$ 310,154
Cash paid for goods and services	(432,558)	(146,523)	(579,081)
Cash paid to employees for services	(476,453)	(252,397)	(728,850)
Other operating revenue	1,182	904	2,086
Net cash used by operating activities	<u>(859,785)</u>	<u>(135,906)</u>	<u>(995,691)</u>
Cash flows from noncapital financing activities:			
Due to other funds	-	(191)	(191)
Due from other funds	191	-	191
Federal and State grants and reimbursements	1,069,884	13,300	1,083,184
Contracted service revenue	-	135,149	135,149
Net cash provided (used) by noncapital financing activities	<u>1,070,075</u>	<u>148,258</u>	<u>1,218,333</u>
Cash flows from investing activities:			
Interest earned on investments	18	-	18
Net increase in cash and cash equivalents	210,308	12,352	222,660
Cash and cash equivalents, beginning of year	115,593	28,248	143,841
Cash and cash equivalents, end of year	<u>\$ 325,901</u>	<u>\$ 40,600</u>	<u>\$ 366,501</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	\$ (562,876)	\$ (259,275)	\$ (822,151)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	7,767	-	7,767
Donated commodities	62,455	-	62,455
Salaries paid by special revenue fund	52,605	-	52,605
Changes in assets and liabilities:			
Decrease in accounts receivable	509	831	1,340
Decrease in net OPEB asset	784	161	945
Decrease in inventories	4,732	-	4,732
Decrease in accounts payable and accrued liabilities	(11)	(2,201)	(2,212)
Decrease in unearned revenue	(645)	(2,230)	(2,875)
Decrease in net pension liability	(212,233)	(38,040)	(250,273)
Increase (decrease) in net OPEB liability	(193,850)	124,577	(69,273)
(Increase) decrease in deferred outflows	57,032	(43,805)	13,227
Increase (decrease) in deferred inflows	(85,344)	71,890	(13,454)
Increase in compensated absences payable	9,290	12,186	21,476
Total adjustments	<u>(296,909)</u>	<u>123,369</u>	<u>(173,540)</u>
Net cash used by operating activities	<u>\$ (859,785)</u>	<u>\$ (135,906)</u>	<u>\$ (995,691)</u>

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

**GATES COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2022**

Exhibit 9 (continued)

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$62,455 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund paid salaries and benefits of \$52,605 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected as a transfer in and an operating expense on Exhibit 8.

School Food Service capital assets with a value of \$42,169 were purchased by the General Fund during the year. The value of these assets is reflected as a capital contribution on Exhibit 8.

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

GATES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of 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. The Board has no component units.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation. 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 nonmajor funds. Interfund services provided and used are not eliminated in the process of consolidation.

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. All expenses are considered to be operating expenses.

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 accounted for in another fund.

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
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

Federal Grants Fund. The Federal Grants Fund includes appropriations from the U.S. Government for the current operating expenditures of the public school system.

Other Specific Revenue Fund. The Other Special Revenue Fund is used to account for revenues from reimbursements, including indirect costs, fees for actual costs, tuition, sales tax refunds, gifts and grants restricted as to use, federal and State grants restricted as to use, federal and State appropriations made directly to local school administrative units, funds received for prekindergarten programs and special programs.

Capital Outlay Fund. The Capital Outlay Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). It is mandated by State law [G.S.115C-426]. Capital projects are funded by Gates County appropriations, restricted sales tax moneys, proceeds of county debt issued for public school construction, lottery proceeds as well as certain State assistance.

Individual Schools Fund. The Individual Schools Fund includes revenues and expenditures of the activity funds of the individual schools. The primary revenue sources include funds held on the behalf of various clubs and organizations, receipts from athletic events, and proceeds from various fundraising activities. The primary expenditures are for athletic teams, club programs, activity buses and instructional needs.

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.

Child Care Fund. The Child Care Fund is used to account for the afterschool care program at the elementary schools within the school system. The costs associated with these programs are recovered by user charges.

C. Measurement Focus and Basis of Accounting

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

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

GATES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

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 the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the fund level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys within a fund without limitations and without a report to the Board of Education being required. Amendments are required for any revisions that alter total expenditures of any fund. All amendments must be approved by the Board of Education. During the year, several 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.

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

1. Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with State laws and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

The Board's investments are reported at amortized cost or at fair value determined by either quoted market prices or a matrix pricing model. Bank deposits are measured at amortized cost. The NCCMT is reported at fair value. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

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 with original maturities of three months or less 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. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

GATES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

4. Capital Assets

Donated assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1990 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.

For capital assets utilized in governmental and business-type activities, it is the policy of the Board to capitalize those assets costing more than \$5,000 with an estimated useful life of two or more years. The cost of normal repairs that do not add to the value of the asset or materially extend asset lives is 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:

Buildings	10 - 40
Equipment and furniture	5 - 15
Vehicles	10

5. Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has two items that meet this criterion – pension and other post-employment benefit-related deferrals. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has two items that meet this criterion – pension and other post-employment benefit-related deferrals.

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. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2022 is recorded in the

GATES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

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

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

8. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Prepaid expenditures- portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenditures, which are not spendable resources.

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

Restricted for Stabilization by State statute – portion of fund balance that is restricted by State Statute for amounts owed to the district at year end [G.S. 115C-425(a)]. The restriction will be released as of the beginning of the subsequent fiscal year following collection of the amounts owed to the district.

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 instructional services – grant and other revenues restricted for expenditure for various instructional services, as allowable by the funding source.

Restricted for individual schools – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fundraising activities for which they were collected.

Assigned fund balance – portion of fund balance that the Board of Education intends to use for specific purposes. The assignment of fund balance is governed by NC General Statutes. The Board of Education is authorized to approve appropriations of fund balance in accordance with restrictions established by N.C. General Statutes.

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

Special revenues – portion of fund balance that represents the residual amount of revenues from certain grants, reimbursements, indirect costs and other financial resources in excess of related expenditures that will be used for instructional services, system-wide support services, ancillary services or non-programmed charges, as determined by the Board of Education.

GATES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. A negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes.

The Board of Education has a management policy for revenue spending that provides guidance for programs with multiple revenue sources. All appropriations shall be paid firstly from revenues restricted as to use, and then from general, unrestricted revenues. The Superintendent and Finance Officer have the authority to deviate from this policy if it is in the best interest of the Board of Education.

9. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. The net adjustment of \$(8,302,085) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets at historical cost on government-wide statement in governmental activities column)	\$ 33,432,307
Less accumulated depreciation	<u>(14,091,401)</u>
Net capital assets	<u>19,340,906</u>
Right to use leased assets used in governmental activities are not financial resources and are therefore not reported in the funds (total right to use leased assets at historical cost on government-wide statement in governmental activities column)	225,976
Less accumulated amortization	<u>(90,390)</u>
Right to use leased assets, net	<u>135,586</u>
Net OPEB asset	10,225
Deferred outflows of resources related to pensions	3,513,183
Deferred outflows of resources related to OPEB	2,837,146
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:	
Lease liabilities	(140,294)
Compensated absences	(1,423,147)
Net pension liability	(3,306,257)
Net OPEB liability	(19,126,083)
Deferred inflows of resources related to pensions	(4,294,426)
Deferred inflows of resources related to OPEB	<u>(5,848,924)</u>
Total adjustment	<u><u>\$ (8,302,085)</u></u>

GATES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

- b. 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 a 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 \$1,925,638 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 26,204
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	(792,629)
Amortization expense for intangible assets, the allocation of those assets over their useful lives, that is recorded in the statement of activities but not in the fund statements	(45,195)
Principal payments on debt owed and lease liabilities are recorded as a use of funds on the fund statements but affect only the statement of net position on the government-wide statements	64,750
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,061,938
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	803,122
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
OPEB nonemployer contributions	115,689
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Pension (expense) benefit	(878,944)
OPEB (expense) benefit	655,950
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(85,247)
Total adjustment	<u>\$ 1,925,638</u>

10. Defined Benefit Pension Plans

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

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NOTE 2 - 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 for 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, 2022, the Board had deposits with banks and savings and loans with a carrying amount of \$1,721,347 and with the State Treasurer of \$232,986. The bank balances with the financial institutions and the State Treasurer were \$1,876,229 and \$336,075, respectively. Of these balances, \$435,561 was covered by federal depository insurance and \$1,776,743 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Accounts Receivable

Receivables at the government-wide level at June 30, 2022 are as follows:

	Internal Balances	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ -	\$ 1,080	\$ 330	\$ 1,410
Other governmental activities	-	55,583	11,558	67,141
Total governmental activities	\$ -	\$ 56,663	\$ 11,888	\$ 68,551
Business-type activities:				
School Food Service Fund	\$ 1,879	\$ 25,710	\$ -	\$ 27,589
Child Care Fund	(1,879)	1,041	2,463	1,625
Total business-type activities	\$ -	\$ 26,751	\$ 2,463	\$ 29,214

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Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 1,080	Amounts due from County
Other Specific Revenue Fund	55,583	State and federal grant funds
Total	<u>\$ 56,663</u>	
Business-type activities:		
School Food Service Fund	\$ 25,710	Federal funds
Child Care Fund	1,041	State grant funds
Total	<u>\$ 26,751</u>	

3. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 65,470	\$ -	\$ -	\$ 65,470
Capital assets being depreciated:				
Buildings	29,619,242	-	-	29,619,242
Building improvements	20,345	-	-	20,345
Equipment and furniture	1,281,830	26,204	-	1,308,034
Vehicles	2,419,216	-	-	2,419,216
Total capital assets being depreciated	<u>33,340,633</u>	<u>26,204</u>	<u>-</u>	<u>33,366,837</u>
Less accumulated depreciation for:				
Buildings	10,429,057	652,152	-	11,081,209
Building improvements	2,092	1,356	-	3,448
Equipment and furniture	1,145,996	23,410	-	1,169,406
Vehicles	1,721,627	115,711	-	1,837,338
Total accumulated depreciation	<u>13,298,772</u>	<u>792,629</u>	<u>-</u>	<u>14,091,401</u>
Total capital assets being depreciated, net	<u>20,041,861</u>			<u>19,275,436</u>
Governmental activity capital assets, net	<u>\$ 20,107,331</u>			<u>\$ 19,340,906</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 331,276	\$ 42,169	\$ -	\$ 373,445
Less accumulated depreciation for:				
Equipment and furniture	294,469	7,767	-	302,236
Business-type activities capital assets, net	<u>\$ 36,807</u>			<u>\$ 71,209</u>

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Depreciation was charged to governmental functions as follows:

Operational support services	\$ 115,711
Unallocated depreciation	676,918
Total	<u>\$ 792,629</u>

4. Right to Use Leased Assets

The Board has recorded one right to use leased asset. The asset is a right to use asset for leased copiers. The related lease is discussed in the Leases subsection of the Liabilities section of the footnotes. The right to use leased asset is amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balances	Restatement	Increases	Decreases	Ending Balances
Right to use assets:					
Leased equipment	\$ -	\$ 225,976	\$ -	\$ -	\$ 225,976
Less accumulated amortization for:					
Leased equipment	-	45,195	45,195	-	90,390
Right to use assets, net	<u>\$ -</u>	<u>\$ 180,781</u>	<u>\$ (45,195)</u>	<u>\$ -</u>	<u>\$ 135,586</u>

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. The Board is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age

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60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the period July 1, 2021 through December 31, 2021 was 14.78% of covered payroll and 17.98% for the period January 1, 2022 through June 30, 2022, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$2,131,812 for the year ended June 30, 2022.

Refunds of Contributions – Board employees who have terminated service as a contributing member of TSERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by TSERS.

At June 30, 2022, the Board reported a liability of \$3,418,299 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2021 and 2020, the Board's proportion was 0.0730% and 0.0750%, respectively.

For the year ended June 30, 2022, the Board recognized pension expense of \$867,730. At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 192,147	\$ 77,633
Changes of assumptions	1,282,241	-
Net difference between projected and actual earnings on pension plan investments	-	4,235,315
Changes in proportion and differences between Board contributions and proportionate share of contributions	26,036	127,007
Board contributions subsequent to the measurement date	2,131,812	-
Total	<u>\$ 3,632,236</u>	<u>\$ 4,439,955</u>

\$2,131,812 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ (456,177)
2024	(536,731)
2025	(647,668)
2026	(1,298,955)
Total	<u>\$ (2,939,531)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.05 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated

GATES COUNTY BOARD OF EDUCATION
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for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rates used to measure the total pension liability reported at June 30, 2022 and 2021 was 6.50% and 7.00%, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Board's proportionate share of the net pension liability (asset)	\$ 11,466,262	\$ 3,418,299	\$ (3,271,576)

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

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b. Other Postemployment Benefits

1. Healthcare Benefits

Plan description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established in Chapter 135, Article 1 of the General Statutes. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's ACFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits provided. Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly 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 or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 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 noncontributory premium.

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

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RHBF's benefit and contribution provisions are established by Chapter 135, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also, by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, 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 period July 1, 2021 through December 31, 2021, the Board contributed 6.68% of covered payroll and 5.90% for the period January 1, 2022 through June 30, 2022, which amounted to \$818,626 for the entire fiscal year. During the current fiscal year, the plan also recognized a one-time transfer of excess funding from the Public Employees Health Benefits Fund totaling \$187.0 million, which was isolated from the OPEB expense and allocated to participating employers as a separate revenue item. The Board's proportionate share of this allocation totaled \$119,609.

At June 30, 2022, the Board reported a liability of \$19,774,223 for its proportionate share of the net RHBF OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2021 and 2020, the Board's proportion was 0.0640% and 0.0650%, respectively.

\$818,626 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$ (2,493,749)
2024	(1,070,411)
2025	(262,584)
2026	(329,559)
2027	<u>185,160</u>
Total	<u>\$ (3,971,143)</u>

Actuarial assumptions. Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

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Inflation	2.50%
Salary increases	3.25-8.05%, include 3.25% inflation and productivity factor
Investment rate of return	6.50%

Healthcare cost trend rates:

Medical	5.00-6.00%
Prescription drug	5.00-9.50%
Administrative costs	3.00%
Post-retirement mortality rates	Pub-2010 Healthy Annuitant Mortality Table for males and females, adjusted for classification for some Participants, further adjusted with scaling factors varying by participant group, and projected for mortality improvement using Scale MP-2019

Discount rate. The discount rates used to measure the total OPEB liability for the RHBF at June 30, 2022 and 2021 were 2.16% and 2.21%, respectively. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.16% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2021.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.16 percent) or 1-percentage point higher (3.16 percent) than the current discount rate:

	1% decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Net OPEB liability	\$ 23,521,150	\$ 19,774,223	\$ 16,739,633

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare trend rates. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare trend rates:

	Healthcare Trend Rates		
	1% Decrease (Medical - 4.00-5.00%, Pharmacy - 4.00-8.50%, Medicare Advantage - 4.00%, Administrative - 2.00%)	(Medical - 5.00-6.00%, Pharmacy - 5.00-9.50%, Medicare Advantage - 5.00%, Administrative - 3.00%)	1% increase (Medical - 6.00-7.00%, Pharmacy - 6.00-10.50%, Medicare Advantage - 6.00%, Administrative - 4.00%)
Net OPEB liability	\$ 16,013,785	\$ 19,774,223	\$ 24,762,789

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued ACFR for the State of North Carolina.

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2. 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, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain Local Education Agencies, and ORP.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's ACFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits Provided. Long-term disability benefits are payable as an OPEB from 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. 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 contributing membership service in TSERS or ORP, 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 for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

Contributions. 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 does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2022, employers made a statutory contribution of 0.09% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$11,713 for the year ended June 30, 2022. 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 separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit.

At June 30, 2022, the Board reported an asset of \$10,571 for its proportionate share of the net DIPNC OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2021 and 2020, the Board's proportion was 0.0647% and 0.0660%, respectively.

GATES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

\$11,713 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$	7,296
2024		5,094
2025		6,497
2026		3,152
2027		1,289
Thereafter		<u>3,636</u>
Total	\$	<u>26,964</u>

Actuarial assumptions. Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

Inflation	2.50%
Salary increases	3.25%-8.05%, include 3.25% inflation and productivity factor
Investment rate of return	3.00%, net of OPEB plan expense, including inflation

Sensitivity of the Board's proportionate share of the net OPEB asset to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB asset, as well as what the District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage point lower (2.00 percent) or 1-percentage point higher (4.00 percent) than the current discount rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB asset	\$ 6,675	\$ 10,571	\$ 14,176

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2020 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2021. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2021. The long-term expected rate of return was determined based on the combination of expected future real rates of return and expected inflation. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2021 is 1.3%.

GATES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

Following is information related to OPEB expense, proportionate share, assets, liabilities, deferred outflows of resources and deferred inflows of resources reported by the Board as of and for the year ended June 30, 2022:

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB expense (benefit)	\$ (886,181)	\$ 23,624	\$ (862,557)
OPEB liability (asset)	19,774,223	(10,571)	19,763,652
Proportionate share of the net OPEB liability (asset)	0.0640%	0.0647%	
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 116,744	\$ 26,954	\$ 143,698
Changes of assumptions	1,617,361	1,856	1,619,217
Net difference between projected and actual earnings on plan investments	-	1,032	1,032
Changes in proportion and differences between Board contributions and proportionate share of contributions	337,677	1,328	339,005
Board contributions subsequent to the measurement date	818,626	11,713	830,339
Total deferred outflows of resources	<u>\$ 2,890,408</u>	<u>\$ 42,883</u>	<u>\$ 2,933,291</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ 368,090	\$ -	\$ 368,090
Changes of assumptions	4,805,566	3,838	4,809,404
Net difference between projected and actual earnings on plan investments	10,115	-	10,115
Changes in proportion and differences between Board contributions and proportionate share of contributions	859,154	368	859,522
Total deferred inflows of resources	<u>\$ 6,042,925</u>	<u>\$ 4,206</u>	<u>\$ 6,047,131</u>

2. Accounts Payable

Accounts payable as of June 30, 2022 are as follows:

	<u>Vendors and Other</u>	<u>Due to Other Governments</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 66,038	\$ -	\$ 66,038
Other governmental activities	3,690	232,986	236,676
Total governmental activities	<u>\$ 69,728</u>	<u>\$ 232,986</u>	<u>\$ 302,714</u>
Business-type activities:			
School Food Service Fund	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 13</u>

Due to other governments as of June 30, 2022 consists of \$232,986 of unexpended cash draw-downs held in the State Public School Fund bank account at year-end and owed to the N.C. Department of Public Instruction (DPI). The funds were remitted to DPI in July 2022.

GATES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

3. Unearned Revenues

The balance in unearned revenues at year-end is composed of the following item:

Business-type activities:

Prepayments of meals (School Food Service Fund)	\$ 11,205
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4. Deferred Outflows and Inflows of Resources

The balances in deferred outflows and inflows of resources at year-end are composed of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 335,845	\$ 445,723
Changes of assumptions	2,901,458	4,809,404
Net difference between projected and actual earnings on pension and OPEB plan investments	1,032	4,245,430
Changes in proportion and differences between Board contributions and proportionate share of contributions	365,041	986,529
Board contributions subsequent to the measurement date	2,962,151	-
Total	<u>\$ 6,565,527</u>	<u>\$ 10,487,086</u>

5. Risk Management

The Board is exposed to various risks of losses related 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 \$1,000,000 each claim made / \$3,150,000 coverage period aggregate. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability coverage.

Statutory workers' compensation coverage is purchased through a private insurer for employees to the extent they are paid from Federal and 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 State Public Education Property Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Insurance. The Fund 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.

GATES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

The Board pays most of the 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 are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded for either \$5,000 or \$10,000.

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

6. Long-Term Obligations

a. Leases

The Board has entered into an agreement to lease certain equipment. The lease agreement qualifies as an other than short-term lease under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The agreement was executed on July 1, 2020, to lease copier machines and requires 60 monthly payments of \$4,110.90. There are no variable payment components of the lease. The lease liability is measured at an imputed discount rate of 3.50%. As a result of the lease, the Board has recorded a right to use asset with a net book value of \$135,586 on June 30, 2022. The right to use asset is discussed in more detail in Note 1.

The following is a schedule of the future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2022:

Year Ending June 30:	Principal Payments	Interest Payments	Total
2023	\$ 45,140	\$ 4,191	\$ 49,331
2024	46,746	2,585	49,331
2025	48,408	923	49,331
Totals	<u>\$ 140,294</u>	<u>\$ 7,699</u>	<u>\$ 147,993</u>

GATES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

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, 2022:

	<u>July 1, 2021</u>	<u>Restatement</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>	<u>Current Portion</u>
Governmental activities:						
Direct placement	\$ 21,160	\$ -	\$ -	\$ 21,160	\$ -	\$ -
installment purchases						
Lease liabilities	-	183,884	-	43,590	140,294	45,140
Net pension liability	8,695,559	-	-	5,389,302	3,306,257	-
Net OPEB liability	17,217,920	-	1,908,163	-	19,126,083	-
Compensated absences	1,047,912	289,988	902,253	817,006	1,423,147	596,216
Total	<u>\$ 26,982,551</u>	<u>\$ 473,872</u>	<u>\$ 2,810,416</u>	<u>\$ 6,271,058</u>	<u>\$ 23,995,781</u>	<u>\$ 641,356</u>
Business-type activities:						
Net pension liability	\$ 362,315	\$ -	\$ -	\$ 250,273	\$ 112,042	\$ -
Net OPEB liability	717,413	-	-	69,273	648,140	-
Compensated absences	40,213	-	34,322	12,846	61,689	8,715
Total	<u>\$ 1,119,941</u>	<u>\$ -</u>	<u>\$ 34,322</u>	<u>\$ 332,392</u>	<u>\$ 821,871</u>	<u>\$ 8,715</u>

Compensated absences, net pension and net OPEB liabilities related to governmental activities are typically liquidated by the General and other governmental funds. Installment purchases and lease liabilities are typically liquidated by the General and Capital Outlay funds.

c. Interfund Balances and Activity

1. Transfers to/from other Funds

The State Public School Fund transferred \$52,605 to the School Food Service Fund. This transfer was made at the request of the State of North Carolina to ensure that the State was in compliance with State matching requirements contained within the National School Lunch Program grant agreement.

2. Transfers / Contributed Capital

During the year ended June 30, 2022, the General Fund purchased capitalized equipment for the School Food Service Fund totaling \$42,169. These amounts are presented as a transfer between governmental and business-type activities in Exhibit 2 and as contributed capital in Exhibit 8.

GATES COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

D. Fund Balance

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

Total fund balance - General Fund	\$	945,933
Less:		
Prepaid expenditures		(3,000)
Stabilization by State statute		(1,410)
Appropriated fund balance in the 2022-2023 budget		<u>(812,820)</u>
Unassigned fund balance	\$	<u>128,703</u>

NOTE 3 – OTHER SPECIFIC REVENUE FUND – OTHER REVENUES

Other revenues for the fiscal year ended June 30, 2022 consist of the following:

Medicaid reimbursement program	\$	189,852
Contracted services revenue		256,862
Indirect costs allocated		113,216
Activity bus revenue		103,734
Private grants and programs		55,218
Tuition and fees		113,985
Other		<u>71,226</u>
Total other revenues	\$	<u>904,093</u>

NOTE 4 - 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.

NOTE 5 – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2022, it was determined that the Board's liability for compensated absences payable as of June 30, 2021 was understated by \$289,988 for governmental activities. The adjustment to correct this misstatement had the effect of decreasing governmental activities net position as of June 30, 2021 by \$289,988. This adjustment to governmental activities net position has been reflected in Exhibit 2.

NOTE 6 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Board implemented Governmental Accounting Standards Board (GASB) statement 87, *Leases*, in the fiscal year ending June 30, 2022. The implementation of the statement required the Board to record beginning right to use leased assets and related lease liabilities. As a result, beginning net position for the governmental activities decreased by \$3,103.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Board's Proportionate Share of the Net Pension Liability
Teachers' and State Employees' Retirement System

Schedule of Board Contributions
Teachers' and State Employees' Retirement System

Schedule of the Board's Proportionate Share of the Net OPEB Liability
Retiree Health Benefit Fund

Schedule of Board Contributions
Retiree Health Benefit Fund

Schedule of the Board's Proportionate Share of the Net OPEB Asset
Disability Income Plan of North Carolina

Schedule of Board Contributions
Disability Income Plan of North Carolina

**GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST NINE FISCAL YEARS***

	2022	2021	2020	2019	2018
Board's proportion of the net pension liability (asset)	0.073%	0.075%	0.074%	0.075%	0.076%
Board's proportionate share of the net pension liability (asset)	\$ 3,418,299	\$ 9,057,873	\$ 7,680,878	\$ 7,427,242	\$ 6,018,273
Board's covered payroll	\$ 11,839,958	\$ 11,639,609	\$ 11,541,678	\$ 10,948,882	\$ 10,840,597
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	28.87%	77.82%	66.55%	67.84%	55.52%
Plan fiduciary net position as a percentage of the total pension liability	94.86%	85.98%	87.56%	87.61%	89.51%
	2017	2016	2015	2014	
Board's proportion of the net pension liability (asset)	0.079%	0.082%	0.081%	0.080%	
Board's proportionate share of the net pension liability (asset)	\$ 7,265,511	\$ 3,015,966	\$ 952,123	\$ 4,838,602	
Board's covered payroll	\$ 10,389,300	\$ 11,132,481	\$ 10,403,098	\$ 10,865,571	
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	69.93%	27.09%	9.15%	44.53%	
Plan fiduciary net position as a percentage of the total pension liability	87.32%	94.64%	98.24%	90.60%	

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

Note: This is a ten year schedule. However, GASB 68 was not adopted until the fiscal year ended June 30, 2015. Therefore, there are only nine years of data presented.

**GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST NINE FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 2,131,812	\$ 1,749,946	\$ 1,509,657	\$ 1,418,472	\$ 1,180,290
Contributions in relation to the contractually required contribution	<u>2,131,812</u>	<u>1,749,946</u>	<u>1,509,657</u>	<u>1,418,472</u>	<u>1,180,290</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 13,014,725	\$ 11,839,958	\$ 11,639,609	\$ 11,541,678	\$ 10,948,882
Contributions as a percentage of covered payroll	16.38%	14.78%	12.97%	12.29%	10.78%

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,081,892	\$ 950,621	\$ 1,018,622	\$ 904,029
Contributions in relation to the contractually required contribution	<u>1,081,892</u>	<u>950,621</u>	<u>1,018,622</u>	<u>904,029</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 10,840,597	\$ 10,389,300	\$ 11,132,481	\$ 10,403,098
Contributions as a percentage of covered payroll	9.98%	9.15%	9.15%	8.69%

Note: This is a ten year schedule. However, GASB 68 was not adopted until the fiscal year ended June 30, 2015. Therefore, there are only nine years of data presented.

**GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH BENEFIT FUND
LAST SIX FISCAL YEARS***

	2022	2021	2020	2019	2018
Board's proportion of the net OPEB liability (asset)	0.064%	0.065%	0.064%	0.065%	0.067%
Board's proportionate share of the net OPEB liability (asset)	\$ 19,774,223	\$ 17,935,332	\$ 20,102,969	\$ 18,585,644	\$ 22,044,368
Board's covered payroll	\$ 11,839,958	\$ 11,639,609	\$ 11,541,678	\$ 10,948,882	\$ 10,840,597
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	167.01%	154.09%	174.18%	169.75%	203.35%
Plan fiduciary net position as a percentage of the total OPEB liability	7.72%	6.92%	4.40%	4.40%	3.52%

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	2017
Board's proportion of the net OPEB liability (asset)	0.067%
Board's proportionate share of the net OPEB liability (asset)	\$ 29,058,318
Board's covered payroll	\$ 11,486,641
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	252.97%
Plan fiduciary net position as a percentage of the total OPEB liability	2.41%

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

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30,2018. Therefore, there are only six years of data presented.

**GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
LAST SIX FISCAL YEARS**

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 818,626	\$ 790,909	\$ 753,083	\$ 723,663	\$ 662,407
Contributions in relation to the contractually required contribution	818,626	790,909	753,083	723,663	662,407
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	\$ 13,014,725	\$ 11,839,958	\$ 11,639,609	\$ 11,541,678	\$ 10,948,882
Contributions as a percentage of covered payroll	6.29%	6.68%	6.47%	6.27%	6.05%

	2017
Contractually required contribution	\$ 630,166
Contributions in relation to the contractually required contribution	630,166
Contribution deficiency (excess)	\$ -
Board's covered payroll	\$ 10,840,597
Contributions as a percentage of covered payroll	5.81%

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. Therefore, there are only six years of data presented.

**GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB ASSET
DISABILITY INCOME PLAN OF NORTH CAROLINA
LAST SIX FISCAL YEARS***

	2022	2021	2020	2019	2018
Board's proportion of the net OPEB asset	0.065%	0.066%	0.065%	0.065%	0.066%
Board's proportionate share of the net OPEB asset	\$ 10,571	\$ 32,266	\$ 28,117	\$ 19,793	\$ 40,486
Board's covered payroll	\$ 11,839,958	\$ 11,639,609	\$ 11,541,678	\$ 10,948,882	\$ 10,840,597
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.09%	0.28%	0.24%	0.18%	0.37%
Plan fiduciary net position as a percentage of the total OPEB asset	105.18%	115.57%	113.00%	108.47%	116.23%

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	2017
Board's proportion of the net OPEB asset	0.069%
Board's proportionate share of the net OPEB asset	\$ 43,122
Board's covered payroll	\$ 11,486,641
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.38%
Plan fiduciary net position as a percentage of the total OPEB asset	116.06%

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

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30,2018. Therefore, there are only six years of data presented.

**GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
LAST SIX FISCAL YEARS**

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 11,713	\$ 10,656	\$ 11,640	\$ 16,158	\$ 15,328
Contributions in relation to the contractually required contribution	11,713	10,656	11,640	16,158	15,328
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered payroll	\$ 13,014,725	\$ 11,839,958	\$ 11,639,609	\$ 11,541,678	\$ 10,948,882
Contributions as a percentage of covered payroll	0.09%	0.09%	0.10%	0.14%	0.14%

	2017
Contractually required contribution	\$ 41,194
Contributions in relation to the contractually required contribution	41,194
Contribution deficiency (excess)	\$ -
Board's covered payroll	\$ 10,840,597
Contributions as a percentage of covered payroll	0.38%

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. Therefore, there are only six years of data presented.

INDIVIDUAL FUND SCHEDULES

GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2022

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Gates County:			
County appropriation	\$ 2,883,000	\$ 2,883,000	\$ -
Other:			
Fines and forfeitures	33,777	34,856	1,079
Miscellaneous	-	530	530
Total other	<u>33,777</u>	<u>35,386</u>	<u>1,609</u>
Total revenues	<u>2,916,777</u>	<u>2,918,386</u>	<u>1,609</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	489,824	494,229	(4,405)
Special populations	103,568	102,322	1,246
Alternative programs	18,967	18,967	-
School leadership	35,275	34,231	1,044
Co-curricular	119,322	119,322	-
School-based support	37,864	38,143	(279)
Total instructional services	<u>804,820</u>	<u>807,214</u>	<u>(2,394)</u>
System-wide support services:			
Support and development	97,761	97,761	-
Special population support and development	77,993	77,993	-
Technology support	9,083	9,083	-
Operational support	1,580,695	1,578,375	2,320
Financial and human resource services	272,637	272,554	83
Accountability	65,228	65,228	-
System-wide pupil support	2,125	2,125	-
Policy, leadership and public relations	198,124	192,234	5,890
Total system-wide support services	<u>2,303,646</u>	<u>2,295,353</u>	<u>8,293</u>

GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)
GENERAL FUND
For the Fiscal Year Ended June 30, 2022

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures (Continued):			
Current:			
Ancillary services:			
Community	614	614	-
Nutrition	<u>48,188</u>	<u>48,188</u>	-
Total ancillary services	<u>48,802</u>	<u>48,802</u>	-
Non-programmed charges:			
Payments to other governments	<u>19,178</u>	<u>19,178</u>	-
Debt service:			
Principal retirement	43,590	43,590	-
Interest and fees	<u>5,741</u>	<u>5,741</u>	-
Total debt service	<u>49,331</u>	<u>49,331</u>	-
Total expenditures	<u>3,225,777</u>	<u>3,219,878</u>	<u>5,899</u>
Revenues over (under) expenditures	(309,000)	(301,492)	7,508
Fund balance appropriated	<u>309,000</u>	<u>-</u>	<u>(309,000)</u>
Net change in fund balance	<u>\$ -</u>	(301,492)	<u>\$ (301,492)</u>
Fund balance:			
Beginning of year		<u>1,247,425</u>	
End of year		<u>\$ 945,933</u>	

GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL OUTLAY FUND
For the Fiscal Year Ended June 30, 2022

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 119,656	\$ 21,160	\$ (98,496)
K-12 Athletic Facilities Grant	<u>103,489</u>	<u>103,489</u>	<u>-</u>
Total State of North Carolina	<u>223,145</u>	<u>124,649</u>	<u>(98,496)</u>
Gates County:			
General county appropriations	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Other:			
Local sales tax	1,239	1,239	-
Interest earned on investments	60	56	(4)
Miscellaneous	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total other	<u>26,299</u>	<u>26,295</u>	<u>(4)</u>
Total revenues	<u>449,444</u>	<u>350,944</u>	<u>(98,500)</u>
Expenditures:			
Current:			
System-wide support services:			
Operational support	110,141	11,645	98,496
Debt service:			
Principal retirement	21,160	21,160	-
Capital outlay	<u>494,143</u>	<u>386,984</u>	<u>107,159</u>
Total expenditures	<u>625,444</u>	<u>419,789</u>	<u>205,655</u>
Revenues under expenditures	(176,000)	(68,845)	107,155
Fund balance appropriated	<u>176,000</u>	<u>-</u>	<u>(176,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(68,845)</u>	<u>\$ (68,845)</u>
Fund balance:			
Beginning of year		<u>176,369</u>	
End of year		<u>\$ 107,524</u>	

GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
SCHOOL FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2022

	Final Budget	Actual	Variance with Final Budget
Operating revenues:			
Food sales	\$ 46,032	\$ 48,180	\$ 2,148
Other	1,200	1,182	(18)
Total operating expenditures	47,232	49,362	2,130
Operating expenditures:			
Business support services:			
Purchase of food		358,379	
Donated commodities		62,455	
Salaries and benefits		529,058	
Materials and supplies		41,025	
Repairs and maintenance		8,930	
Contracted services		11,153	
Other		13,060	
Total operating expenditures	1,264,105	1,024,060	240,045
Operating loss	(1,216,873)	(974,698)	242,175
Nonoperating revenues:			
Federal reimbursements	1,091,853	1,068,243	(23,610)
Federal commodities	70,000	62,455	(7,545)
Interest earned	20	18	(2)
Total nonoperating revenues	1,161,873	1,130,716	(31,157)
Revenues over (under) expenditures	(55,000)	156,018	211,018
Other financing sources:			
Transfers from other funds	55,000	52,605	(2,395)
Net change in fund balance	\$ -	208,623	\$ 208,623
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(7,767)	
Capital contributions		42,169	
Net OPEB asset		(784)	
Net pension liability		212,233	
Net OPEB liability		193,850	
Deferred outflows - pension and OPEB		(57,032)	
Deferred inflows - pension and OPEB		85,344	
Increase in compensated absences payable		(9,290)	
Decrease in inventory		(4,732)	
Change in net position (full accrual)		\$ 662,614	

GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
CHILD CARE FUND
For the Fiscal Year Ended June 30, 2022

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Operating revenues:			
Child care fees	\$ 264,000	\$ 263,509	\$ (491)
Other	<u>1,200</u>	<u>904</u>	<u>(296)</u>
Total operating revenues	<u>265,200</u>	<u>264,413</u>	<u>(787)</u>
Operating expenditures:			
Regular community services:			
Purchase of food		26,214	
Salaries and benefits		367,180	
Materials and supplies		2,806	
Other		<u>519</u>	
Total operating expenditures	<u>415,349</u>	<u>396,719</u>	<u>18,630</u>
Operating loss	<u>(150,149)</u>	<u>(132,306)</u>	<u>17,843</u>
Nonoperating revenues:			
State grant revenues	15,000	13,355	(1,645)
Contracted service revenues	<u>135,149</u>	<u>135,149</u>	<u>-</u>
Total nonoperating revenues	<u>150,149</u>	<u>148,504</u>	<u>(1,645)</u>
Net change in fund balance	<u>\$ -</u>	16,198	<u>\$ 16,198</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Net OPEB asset		(161)	
Net pension liability		38,040	
Net OPEB liability		(124,577)	
Deferred outflows - pension and OPEB		43,805	
Deferred inflows - pension and OPEB		(71,890)	
Increase in compensated absences payable		<u>(12,186)</u>	
Change in net position (full accrual)		<u>\$ (110,771)</u>	

COMPLIANCE SECTION



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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*

To the Gates County Board of Education
Gatesville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gates County Board of Education, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprises the Gates County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated September 9, 2022.

Report on 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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 22-01 that we consider to be a significant deficiency.

Report on 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Gates County Board of Education's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Board's response to the findings identified in our audit that 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 the response.

Purpose of this Report

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

Anderson Smith & Wike PLLC

*September 9, 2022
Rockingham, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Report On Compliance for Each Major Federal Program and Report on
Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit
Implementation Act

To the Gates County Board of Education
Gatesville, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Gates County Board of Education, North Carolina's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2022. 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.

In our opinion, the Gates County Board of Education complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance and the State Single Audit Implementation Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Gates County Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Gates County Board of Education's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Gates County Board of Education's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Gates County Board of Education's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Gates County Board of Education's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Gates County Board of Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Gates County Board of Education's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of Gates County Board of Education's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Anderson Smith & Wike PLLC

*September 9, 2022
Rockingham, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Report On Compliance for Each Major State Program and Report on
Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit
Implementation Act

To the Gates County Board of Education
Gatesville, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Gates County Board of Education, North Carolina's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Board's major State programs for the year ended June 30, 2022. 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.

In our opinion, the Gates County Board of Education complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance and the State Single Audit Implementation Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Gates County Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Gates County Board of Education's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Gates County Board of Education's State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Gates County Board of Education's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Gates County Board of Education's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Gates County Board of Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Gates County Board of Education's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of Gates County Board of Education's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Anderson Smith & Wike PLLC

*September 9, 2022
Rockingham, North Carolina*

**GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2022**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *Yes*

Noncompliance material to financial statements noted? *No*

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None Identified for Reporting*

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

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

Identification of major federal programs:

AL Number	Name of Federal Program or Cluster
84.425	COVID-19 – Education Stabilization Fund

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

Auditee qualified as low-risk auditee? *Yes*

**GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2022**

Section I - Summary of Auditor's Results (Continued)

State Awards

Internal control over major State programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Identified for Reporting

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

No

Identification of major State programs:

Program Name

State Public School Fund

Section II - Financial Statement Findings

Finding 22-01

SIGNIFICANT DEFICIENCY

Accrued Leave - Prior Period Adjustment

- | | |
|-------------------------------------|--|
| Criteria: | Controls should ensure that the Board's liability for compensated absences is properly calculated and reported in the financial statements. |
| Condition: | When calculating the accrual for compensated absences each year, management should include employer FICA taxes and retirement in the total reported liability balance. The liability for compensated absences reported in the Board's June 30, 2021 financial statements did not include the related liability for employer FICA taxes and retirement. |
| Effect: | The liability for compensated absences reported in governmental activities at June 30, 2021 was understated by \$289,988. As a result, governmental activities net position as previously reported at June 30, 2021 had to be decreased by \$289,988. |
| Cause: | The Board did not have the proper controls in place to ensure that the liability for compensated absences was accurately calculated and presented in the prior year financial statements. |
| Identification of a repeat finding: | This is not a repeat finding from the immediate previous audit. |
| Recommendation: | We recommend that management implement procedures to ensure that the liability for compensated absences is properly calculated and reported each year. |

Views of responsible officials and planned corrective actions:

The Board of Education agrees with this finding and will ensure that management implements controls and procedures to properly calculate and report the liability for compensated absences each year.

**GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2022**

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

Office of the Superintendent

P.O. Box 125
205 Main Street
Gatesville, NC 27938
(252) 357-1113
Dr. Phillip Barry Williams
Superintendent



Gates County Schools

BOARD MEMBERS

Chairman
Ray Felton
Vice-Chairman
Sallie J. Ryan
Members
Glendale Boone
Leslie Byrum
Amanda Heimbecker

CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2022

Finding 22-01

Name of Contact Person: Sandra Pittman, Finance Officer

Corrective Action Plan: Management will implement procedures to ensure that the liability for compensated absences is properly calculated and reported each year.

Proposed Completion Date: Immediately

**GATES COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
*For the Fiscal Year Ended June 30, 2022***

There were no findings reported in the prior year.

GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2022

Page 1 of 3

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555	PRC 035	\$ 62,455
Cash Assistance:			
Supply Chain Assistance Funds	10.555	PRC 035	32,853
Seamless Summer Program	10.555	PRC 035	1,001,438
Summer Food Service Program for Children	10.559	PRC 035	33,952
Cash assistance subtotal			<u>1,068,243</u>
Total Child Nutrition Cluster			<u>1,130,698</u>
<u>U.S. Department of the Treasury</u>			
Passed-through the N.C. Office of State Management and Budget:			
N.C. Pandemic Recovery Office:			
Passed-through the N.C. Department of Public Instruction:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds - Employee Bonuses	21.027	PRC 141	<u>451,204</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
GEAR UP N.C. Grant	84.334		42,022
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies	84.010	PRC 050, 105, 115	375,094
Supporting Effective Instruction State Grant	84.367	PRC 103	88,207
Education for Homeless Children and Youth	84.196	PRC 026	10,000
Student Support and Academic Enrichment Program	84.424	PRC 108	39,155
Twenty-first Century Community Learning Centers	84.287	PRC 110	293,010
Special Education Cluster:			
Grants to States - IDEA, part B (611)	84.027	PRC 060	359,356
COVID-19 - ARP - Grants to States - IDEA, part B (611)	84.027	PRC 185	85,099
Special Needs Targeted Assistance	84.027	PRC 118	7,775
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	8,911
COVID-19 - ARP - Preschool Grants - IDEA, Part B (619)	84.173	PRC 186	12,732
Preschool Targeted Assistance	84.173	PRC 119	3,892
Total Special Education Cluster			<u>477,765</u>

GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2022

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Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Expenditures
COVID-19 - Education Stabilization Fund:			
CARES Act:			
COVID-19 - K-12 Emergency Relief Fund - ESSER I	84.425D	PRC 163	62,978
COVID-19 - ESSER I - Exceptional Children Grants	84.425D	PRC 167	6,224
COVID-19 - GEER I - Specialized Instructional Support Personnel for COVID-19 Response	84.425C	PRC 169	26,378
COVID-19 - GEER I - Supplemental Instructional Services	84.425C	PRC 170	18,176
CRRSA:			
COVID-19 - K-12 Emergency Relief Fund - ESSER II	84.425D	PRC 171	602,708
COVID-19 - ESSER II - Supplemental Contracted Instructional Support Funding	84.425D	PRC 173	9,585
COVID-19 - ESSER II - School Nutrition COVID Support	84.425D	PRC 174	11,105
COVID-19 - ESSER II - Learning Loss Funding	84.425D	PRC 176	4,968
ARP:			
COVID-19 - ESSER III - K-12 Emergency Relief Fund	84.425D	PRC 181	824,867
COVID-19 - ESSER III - Gaggle Grants	84.425U	PRC 193	5,053
COVID-19 - ESSER III - Teacher Bonuses	84.425U	PRC 203	135,513
COVID-19 - ESSER III - Teacher Bonuses	84.425U	PRC 205	410
Total COVID-19 - Education Stabilization Fund	84.425		<u>1,707,965</u>
Special Education - State Personnel Development	84.323	PRC 082	3,797
Career and Technical Education - Basic Grants to States Program Development	84.048	PRC 017	<u>27,738</u>
Total U.S. Department of Education			<u>3,515,957</u>
<u>U.S. Department of Health and Human Services</u>			
Direct Programs:			
Medicare Enrollment Assistance Program	93.071		<u>6,674</u>
Total Federal Assistance			<u>4,653,329</u>
State Grants:			
<u>N.C. Department of Public Instruction:</u>			
Cash Assistance:			
State Public School Fund		Various	14,663,853
Career and Technical Education:			
State Months of Employment		PRC 013	747,960
Program Support Funds		PRC 014	119,159
Driver Training		PRC 012	17,435
School Technology Fund		PRC 015	18,282
K-12 Athletic Facilities Grant		PRC 440	<u>103,489</u>
Cash assistance subtotal			<u>15,670,178</u>

GATES COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2022

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<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Non-Cash Assistance:			
State Buses Appropriation		PRC 120	21,160
Total N.C. Department of Public Instruction			15,691,338
<u>N.C. Department of Health and Human Services:</u>			
Division of Child Development			
N.C. Pre-Kindergarten Program		PRC 413	221,365
Child and Adult Care Food Program			13,355
Division of Public Health:			
Passed-through Albemarle Regional Health Services:			
State School Nurse Initiative		PRC 615	100,000
Total N.C. Department of Health and Human Services			334,720
<u>N.C. Department of Public Safety:</u>			
Division of Juvenile Justice			
Student Assistance Program		PRC 414	35,791
<u>N.C. Department of Cultural Resources:</u>			
North Carolina Arts Council			
Cultural Resources Grant		PRC 422	8,098
Total State Assistance			16,069,947
Total Federal and State Assistance			\$ 20,723,276

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

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Gates County Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Gates County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Gates County Board of Education.

Note 2. Summary of Significant Accounting Policies

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

Gates County Board of Education has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.