

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA

**List of Principal Officials
June 30, 2015**

BOARD OF EDUCATION

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

OFFICE OF THE SUPERINTENDENT

Dr. Phillip Barry Williams Superintendent	Rube Blanchard Finance Officer
--	-----------------------------------

INDIVIDUAL SCHOOLS Principals

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

GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA

Table of Contents June 30, 2015

	<u>Page</u>	<u>Exhibit</u>
FINANCIAL SECTION		
Independent Auditor's Report	1-3	
Management's Discussion and Analysis	4-11	
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	12	1
Statement of Activities	13	2
Fund Financial Statements:		
Balance Sheet - Governmental Funds	14	3
Reconciliation of the Balance Sheet to the Statement of Net Position	14	3
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15	4
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16	5
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General and Major Special Revenue Funds	17-18	6
Statement of Net Position - Proprietary Funds	19	7
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	20	8
Statement of Cash Flows - Proprietary Funds	21-22	9
Notes to the Financial Statements	23-41	
Required Supplementary Information		
Schedule of the Proportionate Share of the Net Pension Liability	42	
Schedule of Contributions	43	
Combining and Individual Fund Statements and Schedules:		
General Fund:		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	44	

GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA

Table of Contents June 30, 2015

	<u>Page</u>	<u>Exhibit</u>
Nonmajor Governmental Funds:		
Combining Balance Sheet	45	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	46-48	
Federal Grants Fund:		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	49	
Other Specific Revenue Fund:		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	50-51	
Capital Outlay Fund:		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	52	
Enterprise Funds:		
Food Service Fund:		
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	53	
Child Care Fund:		
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	54	
COMPLIANCE SECTION		
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	A-1	
Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In Accordance with OMB Circular A-133; and the State Single Audit Implementation Act	A-3	
Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance; In Accordance with OMB Circular A-133; and the State Single Audit Implementation Act	A-5	
Schedule of Findings and Questioned Costs	A-7	
Corrective Action Plan	A-10	
Summary Schedule of Prior Audit Findings	A-11	
Schedule of Expenditures of Federal and State Awards	A-12	

FINANCIAL SECTION

DONNA H. WINBORNE, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL CORPORATION

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

1393 N. BROAD STREET
P.O. BOX 567
EDENTON, NORTH CAROLINA 27932
TELEPHONE: (252) 482-8461
FAX (252) 482-4921

DONNA H. WINBORNE, CPA

Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Gates County Board of Education, North Carolina, as of and for the year then ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Gates County Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

MEMBER OF:

THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

THE NORTH CAROLINA
ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Gates County Board of Education, North Carolina as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and State Public School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 11 and the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 41 and 42, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated October 12, 2015 on my consideration of Gates County Board of Education's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Gates County Board of Education's internal control over financial reporting and compliance.

 Susan H. Wilborne, CPA P.C.

Elizabeth City, North Carolina
October 12, 2015

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, 2015. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Board realized an increased enrollment of 9 students (or .55%) from the previous year.
- The Board is working diligently with the Gates County Board of Commissioners to address the continuing repairs and renovations needed at all schools, with a concentration on Central Middle School.

Overview of the Financial Statements

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

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

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

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

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

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

Gates County Board of Education has two types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – how cash and other assets can readily be converted to cash

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

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

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

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

Financial Analysis of the Schools as a Whole

Net position is an indicator of the fiscal health of the Board. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,151,623 as of June 30, 2015. The largest component of net position is net investment in capital assets, of \$11,901,990. It comprises 130.05% of the total net position.

Following is a summary of the Statement of Net Position:

Table 1						
Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current assets	\$ 1,721,119	\$ 1,946,073	\$ 279,263	\$ 333,044	\$ 2,000,382	\$ 2,279,117
Capital assets	11,872,629	12,373,607	29,361	38,735	11,901,990	12,412,342
Total assets	13,593,748	14,319,680	308,624	371,779	13,902,372	14,691,459
Deferred outflows of resources	1,025,519	-	31,717	-	1,057,236	-
Current and other liabilities	2,291,576	1,491,909	58,596	33,111	2,350,172	1,525,020
Long-term liabilities	19,002	38,007	-	-	19,002	38,007
Total liabilities	2,310,578	1,529,916	58,596	33,111	2,369,174	1,563,027
Deferred inflows of resources	3,335,647	2,018	103,164	-	3,438,811	2,018
Net investment in capital assets	11,872,629	12,297,593	29,361	38,735	11,901,990	12,336,328
Restricted net position	212,204	226,505	-	-	212,204	226,505
Unrestricted net position	(3,111,791)	263,648	149,220	299,933	(2,962,571)	563,581
Total net position	\$ 8,973,042	\$ 12,787,746	\$ 178,581	\$ 338,668	\$ 9,151,623	\$ 13,126,414

Note that net position decreased during the year, indicating a decline in the financial condition of the Board. The decrease in net position (30.28%) was largely because of a change in accounting principles/restatement with the Board implementing Governmental Accounting Standards Board (GASB) statement 68. This required the Board to record beginning net pension liability and the effects on net position of contributions made by the Boarding during the measurement period (fiscal year 2014). Also note that the Board carries capital assets for which Gates County carries the offsetting debt.

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

Table 2						
Condensed Statement of Revenues, Expenses, and Changes in Net Position						
	Governmental Activities	Governmental Activities	Business-type Activities	Business- type Activities	Total Primary Government	Total Primary Government
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 457,260	\$ 418,012	\$ 426,343	\$ 444,115	\$ 883,603	\$ 862,127
Operating grants and contributions	12,180,898	11,603,269	674,800	675,781	12,855,698	12,279,050
Capital grants and contributions	3,800	-	-	-	3,800	-
General revenues:						
Other revenues	5,800,220	5,662,445	22	24	5,800,242	5,662,469
Total revenues	18,442,178	17,683,726	1,101,165	1,119,920	19,543,343	18,803,646
Expenses:						
Governmental activities:						
Instructional services	12,867,254	12,492,795	-	-	12,867,254	12,492,795
System-wide support services	4,740,516	4,702,462	-	-	4,740,516	4,702,462
Ancillary services	245,176	254,945	-	-	245,176	254,945
Non-programmed charges	(1,283)	(1,603)	-	-	(1,283)	(1,603)
Depreciation	521,846	486,721	-	-	521,846	486,721
Business-type activities:						
Food service	-	-	1,010,794	997,443	1,010,794	997,443
Child care	-	-	199,257	186,163	199,257	186,163
Total expenses	18,373,509	17,935,320	1,210,051	1,183,606	19,583,560	19,118,926
Transfers in (out)	(66,836)	(52,126)	66,836	52,126	-	-
Increase/(decrease) in net position	1,833	(303,720)	(42,050)	(11,560)	(40,217)	(315,280)
Net position, beginning, previously reported	12,787,746	13,091,466	338,668	350,228	13,126,414	13,441,694
Restatement	(3,816,537)	-	(118,037)	-	(3,934,574)	-
Net position, beginning, restated	8,971,209	13,091,466	220,631	350,228	9,191,840	13,441,694
Net position, ending	\$ 8,973,042	\$ 12,787,746	\$ 178,581	\$ 338,668	\$ 9,151,623	\$ 13,126,414

Total governmental activities generated revenues of \$18.4 million while expenses in this category totaled \$18.3 million for the year ended June 30, 2015. Comparatively, revenues were \$17.6 million and expenses totaled \$17.9 million for the year ended June 30, 2014. After transfers to the business-type activities, the increase in net position stands at \$1,833 at June 30, 2015, compared to a decrease of \$303,720 in 2014. Instructional services expenses comprised 70% of total governmental-type expenses while system-wide support services made up 25.8% of those expenses

for 2015. County funding comprised 17% of total governmental revenue for 2015. In 2014, county funding was 16.5%. Much of the remaining 83% of total governmental revenue for 2015 consists of restricted State and federal money. This revenue represented 83.5% of total revenue in 2014. Business-type activities generated revenue of \$1,101,165 and expenses of \$1,210,051. Net position decreased in the business-type activities by \$42,050, after transfers from the governmental activities of \$66,836.

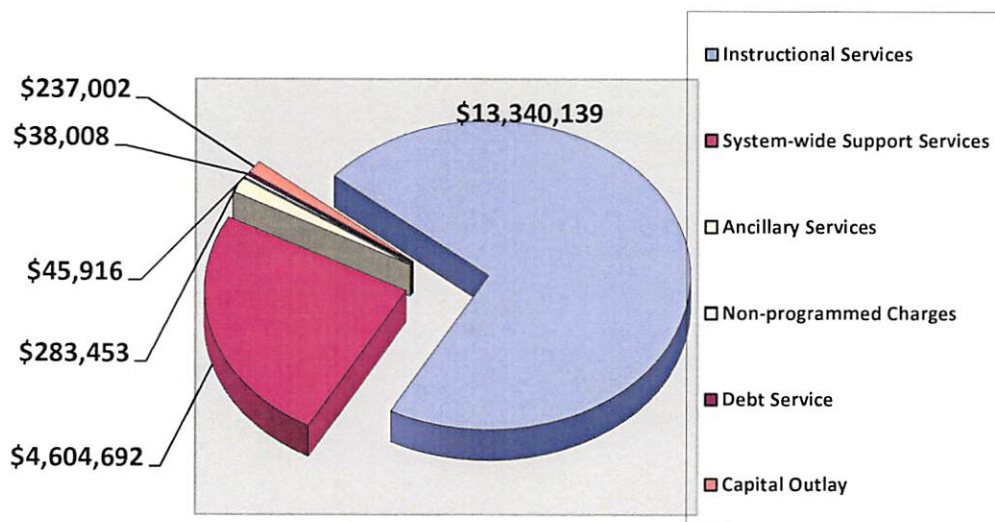
Financial Analysis of the Board's Funds

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 \$1,313,949, a \$126,669 decrease over last year. All of the Board's governmental funds, except for the Capital Outlay Fund, had revenues and other financing sources that exceeded expenditures and other uses. Two sources of funding increased over the prior year: State funding increased \$112,924 and county funding increased \$226,304. Expenditures increased by \$1,013,871 over the prior year.

Proprietary Funds: The Board's business-type School Food Service Fund reflected a decrease in net position over last year of \$29,182. This decrease was due primarily to an increase in operating expenses. The Child Care Fund reflected a decrease in net position over last year, of \$12,868. This was primarily due to a decrease in revenues along with an increase in bad-debt write-offs for the current year.

Categorization of Expenditures by Function



Expenditures presented on the modified accrual basis of accounting

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and to reduce appropriations in light of the reduced revenue estimates. Even with the reductions in revenue, the Board ended the year with a deficit of \$161,944. Reductions in estimated revenues and corresponding decreases in appropriations totaled \$10,355 in the General Fund.

Capital Assets

Capital assets decreased by \$510,352 (or 4.11%) from the previous year. This was largely due to an increase of depreciation recorded on the buildings. The following is a summary of the capital assets, net of depreciation at year-end.

Table 3 Summary of Capital Assets						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 53,670	\$ 53,670	\$ -	\$ -	\$ 53,670	\$ 53,670
Construction in progress	-	51,570	-	-	-	51,570
Buildings	11,139,565	11,527,556	-	-	11,139,565	11,527,556
Furniture and equipment	155,470	165,540	29,361	38,735	184,831	204,275
Vehicles and motorized equipment	523,924	575,271	-	-	523,924	575,271
Library books	-	-	-	-	-	-
Computer equipment	-	-	-	-	-	-
Total	\$ 11,872,629	\$ 12,373,607	\$ 29,361	\$ 38,735	\$ 11,901,990	\$ 12,412,342

Debt Outstanding

During the year the Board's outstanding debt decreased by \$38,008 due mainly to the payment towards the installment financing paying for school buses. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction.

Economic Factors

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

- The County is enjoying a low unemployment rate of 5%, lower than the state average of 5.5%.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

Gates County Board of Education, North Carolina
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,356,649	\$ 226,055	\$ 1,582,704
Due from other governments	359,004	21,986	380,990
Accounts receivable	2,480	16,237	18,717
Internal balances	2,986	(2,986)	-
Inventories	-	17,971	17,971
Capital assets			
Land and construction in progress	53,670	-	53,670
Other capital assets, net of depreciation	11,818,959	29,361	11,848,320
Total capital assets	11,872,629	29,361	11,901,990
Total assets	13,593,748	308,624	13,902,372
DEFERRED OUTFLOWS OF RESOURCES	1,025,519	31,717	1,057,236
LIABILITIES			
Accounts payable and accrued expenses	\$ 46,389	\$ 762	\$ 47,151
Accrued salaries and wages payable	360,781	-	360,781
Long term liabilities			
Net pension liability	923,559	28,564	952,123
Due within one year	960,847	29,270	990,117
Due in more than one year	19,002	-	19,002
Total liabilities	2,310,578	58,596	2,369,174
DEFERRED INFLOWS OF RESOURCES	3,335,647	103,164	3,438,811
NET POSITION			
Net investment in capital assets	11,872,629	29,361	11,901,990
Restricted for:			
Individual schools	193,397	-	193,397
Stabilization by state statute	5,560	-	5,560
School capital outlay	13,247	-	13,247
Unrestricted	(3,111,791)	149,220	(2,962,571)
Total net position	\$ 8,973,042	\$ 178,581	\$ 9,151,623

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

Gates County Board of Education, North Carolina
Statement of Activities
For the Year Ended June 30, 2015

Program Revenues					Net (Expense) Revenue and Changes in Net Position			
Function/Programs	Expenses	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	\$ 7,484,605	\$ 73,055	\$ 6,217,605	\$ -	\$ (1,193,945)	\$ -	\$ (1,193,945)	
Special populations	1,502,832	-	1,584,370	-	81,538	-	81,538	
Alternative programs	846,794	-	844,524	-	(2,270)	-	(2,270)	
School leadership	1,078,271	-	527,856	-	(550,415)	-	(550,415)	
Co-curricular	90,936	-	-	-	(90,936)	-	(90,936)	
School-based support	1,863,816	378,731	859,975	-	(625,110)	-	(625,110)	
System-wide support services:								
Support and development	164,198	-	70,869	-	(93,329)	-	(93,329)	
Special populations support and development	130,414	-	135,716	-	5,302	-	5,302	
Alternative programs and services support and development	25,412	-	25,412	-	-	-	-	
Technology support	99,396	-	21,148	-	(78,248)	-	(78,248)	
Operational support	3,055,235	5,474	1,141,470	3,800	(1,904,491)	-	(1,904,491)	
Financial and human resources	681,761	-	208,903	-	(472,858)	-	(472,858)	
Accountability	133,114	-	55,707	-	(77,407)	-	(77,407)	
System-wide pupil support	99,139	-	-	-	(99,139)	-	(99,139)	
Policy, leadership, and public relations	351,847	-	141,088	-	(210,759)	-	(210,759)	
Ancillary services	245,176	-	283,264	-	38,088	-	38,088	
Non-programmed charges	(1,283)	-	62,991	-	64,274	-	64,274	
Unallocated depreciation expense	521,846	-	-	-	(521,846)	-	(521,846)	
Total governmental activities	18,373,509	457,260	12,180,898	3,800	(5,731,551)	-	(5,731,551)	
Business-type activities:								
School food service	1,010,794	261,126	674,800	-	-	(74,868)	(74,868)	
Child care	199,257	165,217	-	-	-	(34,040)	(34,040)	
Total business-type activities	1,210,051	426,343	674,800	-	-	(108,908)	(108,908)	
Total primary government	\$ 19,583,560	\$ 883,603	\$ 12,855,698	\$ 3,800	(5,731,551)	(108,908)	(5,840,459)	
General revenues:								
Unrestricted county appropriations - operating					2,708,000	-	2,708,000	
Unrestricted county appropriations - capital					200,000	-	200,000	
Unrestricted State appropriations - operating					2,684,784	-	2,684,784	
Unrestricted State appropriations - capital					38,008			
Investment earnings, unrestricted					2,034	22	2,056	
Miscellaneous, unrestricted					167,394	-	167,394	
Transfers					(66,836)	66,836	-	
Total general revenues and transfers					5,733,384	66,858	5,762,234	
Change in net position					1,833	(42,050)	(40,217)	
Net position, beginning, previously reported					12,787,746	338,668	13,126,414	
Restatement					(3,816,537)	(118,037)	(3,934,574)	
Net position, beginning, restated					8,971,209	220,631	9,191,840	
Net position - ending					\$ 8,973,042	\$ 178,581	\$ 9,151,623	

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

FUND FINANCIAL STATEMENTS

Gates County Board of Education, North Carolina
Balance Sheet
Governmental Funds
June 30, 2015

	Major Funds		Non-major Funds	
	General	State Public School	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,066,023	\$ -	\$ 290,626	\$ 1,356,649
Accounts receivable	-	-	2,480	2,480
Due from other funds	5,560	-	-	5,560
Due from other governments	-	316,414	42,590	359,004
Total assets	<u>\$ 1,071,583</u>	<u>\$ 316,414</u>	<u>\$ 335,696</u>	<u>\$ 1,723,693</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities:				
Accounts payable and accrued expenses	\$ 46,389	\$ -	\$ -	\$ 46,389
Accrued salaries and wages payable	3,942	316,414	40,425	360,781
Due to other funds	-	-	2,574	2,574
Total liabilities	<u>50,331</u>	<u>316,414</u>	<u>42,999</u>	<u>409,744</u>
Deferred inflows of resources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted:				
Individual Schools	-	-	193,397	193,397
Stabilization by State Statute	5,560	-	10,161	15,721
School Capital Outlay	-	-	13,247	13,247
Assigned:				
Subsequent years expenditures	-	-	-	-
Committed:	-	-	25,756	25,756
Unassigned:	1,015,692	-	50,136	1,065,828
Total fund balances	<u>1,021,252</u>	<u>-</u>	<u>292,697</u>	<u>1,313,949</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,071,583</u>	<u>\$ 316,414</u>	<u>\$ 335,696</u>	

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

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.	11,872,629
Deferred outflows of resources related to pensions	1,025,519
Some liabilities, including bonds payable and accrued interest, are not due in the current period and therefore are not reported in the funds (Note 4).	(979,849)
Net pension liability	(923,559)
Deferred inflows of resources related to pensions	(3,335,647)
Net position of governmental activities	<u>\$ 8,973,042</u>

Gates County Board of Education, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds		Non-major Funds	
	General	State Public School	Other Governmental Funds	Total Governmental Funds
REVENUES				
State of North Carolina	\$ -	\$ 12,859,370	\$ 349,428	\$ 13,208,798
Gates County	2,708,000	-	437,000	3,145,000
U. S. Government	-	-	1,275,726	1,275,726
Contributions and donations	-	-	94,222	94,222
Other	60,645	-	704,986	765,631
Total revenues	<u>2,768,645</u>	<u>12,859,370</u>	<u>2,861,362</u>	<u>18,489,377</u>
EXPENDITURES				
Current:				
Instructional services				
Regular instructional	193,099	7,363,128	204,674	7,760,901
Special populations	13,182	924,074	607,125	1,544,381
Alternative programs	161	294,333	588,986	883,480
School leadership	51,937	1,031,490	41,028	1,124,455
Co-curricular	96,944	-	-	96,944
School-based support	97,687	1,252,081	580,210	1,929,978
System-wide support services	-	-	-	-
Support and development	50,861	110,692	6,878	168,431
Special populations support and development	-	133,908	2,967	136,875
Alternative programs and services support and development	-	-	25,412	25,412
Technology support	73,022	23,756	2,561	99,339
Operational support	1,755,097	1,114,220	31,622	2,900,939
Financial and human resources	257,751	333,265	105,063	696,079
Accountability	37,856	92,085	3,113	133,054
System-wide pupil support	99,620	-	1,044	100,664
Policy, leadership, and public relations	173,669	141,088	29,142	343,899
Ancillary services	8,531	-	274,922	283,453
Non-programmed charges	-	(414)	46,330	45,916
Capital outlay:				
Real property and buildings	-	-	188,401	188,401
Furniture and equipment	-	-	-	-
Vehicles	-	-	48,601	48,601
Debt service:				
Principal	-	-	38,008	38,008
Total expenditures	<u>2,909,417</u>	<u>12,813,706</u>	<u>2,826,087</u>	<u>18,549,210</u>
Excess (deficiency) of revenues over expenditures	<u>(140,772)</u>	<u>45,664</u>	<u>35,275</u>	<u>(59,833)</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(21,172)	(45,664)	-	(66,836)
Installment purchase obligation issued	-	-	-	-
Total other financing sources (uses)	<u>(21,172)</u>	<u>(45,664)</u>	<u>-</u>	<u>(66,836)</u>
Net change in fund balance	(161,944)	-	35,275	(126,669)
Fund balances, beginning	1,183,196	-	257,422	1,440,618
Fund balances, ending	<u>\$ 1,021,252</u>	<u>\$ -</u>	<u>\$ 292,697</u>	<u>\$ 1,313,949</u>

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

Gates County Board of Education, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

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

Net changes in fund balances - total governmental funds	\$ (126,669)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as a depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(500,978)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	988,064
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amount is the net effect of these differences in the treatment of long-term debt	38,008
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	(405,214)
Compensated absences	8,622
Total changes in net position of governmental activities	\$ 1,833

Gates County Board of Education, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Fund
For the Year Ended June 30, 2015

	General Fund			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Gates County	\$ 2,708,000	\$ 2,708,000	\$ 2,708,000	\$ -
Other	71,000	60,645	60,645	-
Total revenues	<u>2,779,000</u>	<u>2,768,645</u>	<u>2,768,645</u>	<u>-</u>
EXPENDITURES				
Current:				
Instructional services				
Regular instructional	233,633	193,174	193,099	75
Special populations	21,286	13,182	13,182	-
Alternative programs	2,364	161	161	-
School leadership	48,930	51,937	51,937	-
Co-curricular	102,552	103,313	96,944	6,369
School-based support	84,199	97,867	97,687	180
System-wide support services				
Support and development	90,456	50,861	50,861	-
Special populations support and development	-	-	-	-
Technology support	73,693	73,022	73,022	-
Operational support	1,735,309	1,758,574	1,755,097	3,477
Financial and human resources	441,054	262,295	257,751	4,544
Accountability	-	37,856	37,856	-
System-wide pupil support	96,413	99,620	99,620	-
Policy, leadership, and public relations	166,026	174,546	173,669	877
Ancillary services	9,400	8,531	8,531	-
Non-programmed charges	-	-	-	-
Total expenditures	<u>3,105,315</u>	<u>2,924,939</u>	<u>2,909,417</u>	<u>15,522</u>
Net change in fund balance	<u>(326,315)</u>	<u>(156,294)</u>	<u>(140,772)</u>	<u>(15,522)</u>
Other financing sources (uses)				
Fund balance appropriated	326,315	177,466	-	177,466
Operating transfer in (out)	-	(21,172)	(21,172)	-
Total other financing sources (uses)	<u>326,315</u>	<u>156,294</u>	<u>(21,172)</u>	<u>177,466</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>(161,944)</u>	<u>\$ 161,944</u>
Fund balance, beginning			1,183,196	
Fund balance, ending			<u>\$ 1,021,252</u>	

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

Gates County Board of Education, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Fund
For the Year Ended June 30, 2015

	State Public School Fund			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
State of North Carolina	\$ 12,341,031	\$ 12,888,054	\$ 12,859,370	\$ (28,684)
EXPENDITURES				
Current:				
Instructional services				
Regular instructional	7,056,060	7,364,500	7,363,128	1,372
Special populations	946,139	924,074	924,074	-
Alternative programs	378,966	312,769	294,333	18,436
School leadership	1,035,426	1,038,528	1,031,490	7,038
School-based support	1,229,875	1,252,849	1,252,081	768
System-wide support services				
Support and development	102,481	110,692	110,692	-
Special populations support and development	130,658	133,908	133,908	-
Technology support	-	23,756	23,756	-
Operational support	912,769	1,115,291	1,114,220	1,071
Financial and human resources	218,641	333,265	333,265	-
Accountability	142,361	92,085	92,085	-
Policy, leadership, and public relations	141,659	141,088	141,088	-
Ancillary services	45,996	45,664	-	45,664
Non-programmed charges	-	(415)	(414)	(1)
Total expenditures	12,341,031	12,888,054	12,813,706	74,348
Revenues over (under) expenditures	-	-	45,664	45,664
Other financing sources (uses)				
Transfers to other funds	-	-	(45,664)	(45,664)
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning			-	
Fund balance, ending			\$ -	

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

Gates County Board of Education, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2015

	Enterprise Funds		
	Major Funds		
	School Food Service	Child Care	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 226,055	\$ -	\$ 226,055
Due from other governments	19,534	2,452	21,986
Accounts receivable (Net of Allowance of \$15,000)	4,440	11,797	16,237
Inventories	17,971	-	17,971
Due from other funds	-	-	-
Total current assets	<u>268,000</u>	<u>14,249</u>	<u>282,249</u>
Noncurrent assets:			
Capital assets:			
Food service equipment, net	29,361	-	29,361
Total noncurrent assets	<u>29,361</u>	<u>-</u>	<u>29,361</u>
Total assets	<u>297,361</u>	<u>14,249</u>	<u>311,610</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>31,717</u>	<u>-</u>	<u>31,717</u>
LIABILITIES			
Current liabilities:			
Accounts payable	762	-	762
Due to other funds	-	2,986	2,986
Compensated absences	29,270	-	29,270
Parent deposits	-	-	-
Total current liabilities	<u>30,032</u>	<u>2,986</u>	<u>33,018</u>
Noncurrent liabilities:			
Net pension liability	28,564	-	28,564
Total noncurrent liabilities	<u>28,564</u>	<u>-</u>	<u>28,564</u>
DEFERRED INFLOWS OF RESOURCES	<u>103,164</u>	<u>-</u>	<u>103,164</u>
NET POSITION			
Net investment in capital assets	29,361	-	29,361
Unrestricted	137,957	11,263	149,220
Total net position	<u>\$ 167,318</u>	<u>\$ 11,263</u>	<u>\$ 178,581</u>

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

Gates County Board of Education, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Enterprise Funds		
	Major Funds		
	School Food Service	Child Care	Total
OPERATING REVENUES			
Food sales	\$ 261,126	\$ -	\$ 261,126
Child care fees	-	165,217	165,217
Total operating revenues	261,126	165,217	426,343
OPERATING EXPENSES			
Food cost:			
Purchase of food	287,191	16,617	303,808
Donated commodities	47,226	-	47,226
Salaries and benefits	516,333	161,791	678,124
Indirect costs	98,389	-	98,389
Materials and supplies	31,216	4,624	35,840
Depreciation	9,374	-	9,374
Contracted services	15,273	-	15,273
Travel	1,090	624	1,714
Bad debt expense	-	15,000	15,000
Other	4,702	601	5,303
Total operating expenses	1,010,794	199,257	1,210,051
Operating (loss)	(749,668)	(34,040)	(783,708)
NONOPERATING REVENUES			
Federal reimbursements	528,939	-	528,939
Federal commodities	47,226	-	47,226
Sales tax refund	246	-	246
Interest earned	22	-	22
Indirect cost not paid	98,389	-	98,389
Total nonoperating revenues	674,822	-	674,822
(Loss) before transfers	(74,846)	(34,040)	(108,886)
OTHER FINANCING SOURCES			
Transfer from other funds	45,664	21,172	66,836
Change in net position	(29,182)	(12,868)	(42,050)
Total net position, beginning	314,537	24,131	338,668
Restatement	(118,037)	-	(118,037)
Total net position, beginning, restated	196,500	24,131	220,631
Total net position - ending	\$ 167,318	\$ 11,263	\$ 178,581

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

Gates County Board of Education, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Enterprise Funds		
	Major Funds		
	School Food Service	Child Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 261,220	\$ 156,749	\$ 417,969
Cash paid for goods and services	(328,286)	(1,294)	(329,580)
Cash paid to employees for services	(492,037)	(161,791)	(653,828)
Net cash used from operating activities	(559,103)	(6,336)	(565,439)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Decrease in due from other funds	-	6,336	6,336
Federal reimbursements	535,815	-	535,815
Net cash provided from noncapital financing activities	535,815	6,336	542,151
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	22	-	22
Net decrease in cash and cash equivalents	(23,266)	-	(23,266)
Balances - beginning of year	249,321	-	249,321
Balances - end of year	\$ 226,055	\$ -	\$ 226,055
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (749,668)	\$ (34,040)	\$ (783,708)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	9,374	-	9,374
Pension expense	12,532	-	12,532
Bad debt expense	-	15,000	15,000
Donated commodities consumed	47,226	-	47,226
Salaries paid by special revenue fund	45,663	-	45,663
Operating expenses paid by general fund	-	21,172	21,172
Indirect cost not paid	98,389	-	98,389
Sales tax refund received	246	-	246
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(152)	(7,733)	(7,885)
(Increase) decrease in inventory	10,423	-	10,423
(Increase) decrease in due from other governments	-	(235)	(235)
Increase (decrease) in accounts payable	764	-	764
Increase (decrease) in parent deposits	-	(500)	(500)
(Increase) decrease in deferred outflows of resources for pension plan contributions in current fiscal year	(30,559)	-	(30,559)
Increase (decrease) in compensated absences	(3,341)	-	(3,341)
Total adjustments	190,565	27,704	218,269
Net cash used by operating activities	\$ (559,103)	\$ (6,336)	\$ (565,439)

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

Gates County Board of Education, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

Noncash investing, capital, and financing activities:

The State Public School Fund paid salaries and benefits of \$45,664 to administrative personnel of the School Food Service Fund during the year. The payment is reflected as an operating transfer in and an operating expense on Exhibit 8.

The Local Fund paid expenditures of \$21,172 to the Child Care Fund during the year. The payment is reflected as an operating transfer in and an operating expense on Exhibit 8.

Indirect costs of \$98,389 that would be due to the General Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 8.

The School Food Service Fund received donated commodities with a value of \$47,226 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$47,226 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 8.

NOTES TO THE FINANCIAL STATEMENTS

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation – Fund Accounting

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

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

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

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

The Board reports the following major governmental funds:

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

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

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

The Board reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgetary Data

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

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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

1. Deposit and Investments

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

2. Cash and Cash Equivalents

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

3. Inventories

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

4. Capital Assets

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

It is the policy of the Board to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

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

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

5. Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has two items that meet this criterion – a pension related deferral and contributions made to the pension plan in the current fiscal year. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has several items that meet this criterion – pension 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. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2015 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate of the current portion of compensated absences is based on the current amount used.

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

8. Net Position/Fund Balances

Net Position

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

Fund Balance

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

The governmental fund types classify fund balances as follows:

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

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

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

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

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

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

9. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$7,659,093 consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 24,306,827
Less - Accumulated Depreciation	<u>(12,434,198)</u>
Net capital assets	11,872,629
Pension related deferred outflows of resources	
Differences between contributions and proportional share of contributions and changes in proportion	37,455
Contributions made to the pension plan in current year	988,064
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment Purchase Obligations	(38,006)
Compensated Absences	(941,843)
Net pension liability	(923,559)
Deferred inflows of resources related to pensions	
Differences between expected and actual experience	(215,277)
Differences between projected and actual earnings on plan investments	<u>(3,120,370)</u>
Total adjustment	\$ <u>7,659,093</u>

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$128,502 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 96,334
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.	(597,312)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position in the government-wide statements	38,008
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	988,064
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	(405,214)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	<u>8,622</u>
	<u>\$ 128,502</u>

10. Defined Benefit Pension Plans

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

II. Stewardship, Compliance, and Accountability

There are no items to report.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2015 the Board had deposits with banks with a carrying amount of \$1,582,679 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer was \$1,703,546 and \$93,470, respectively. Of these balances, \$262,223 was covered by federal depository insurance and \$1,441,323 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

At June 30, 2015, the Board had petty cash of \$25.

2. Accounts Receivable

Receivables at the government-wide level at June 30, 2015, were as follows:

	Due from other funds (internal balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ 5,560	\$ -	\$ -	\$ 5,560
Other governmental	(2,574)	359,004	2,480	358,910
Total governmental activities:	<u>\$ 2,986</u>	<u>\$ 359,004</u>	<u>\$ 2,480</u>	<u>\$ 364,470</u>
Business-type activities				
School Food Service	\$ -	\$ 19,534	4,440	\$ 23,974
Child Care	(2,986)	2,452	11,797	11,263
	<u>\$ (2,986)</u>	<u>\$ 21,986</u>	<u>\$ 16,237</u>	<u>\$ 35,237</u>

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

Due from other governments consists of the following:

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

Governmental activities:

State Public School Fund	\$ 316,414	Operating revenues from DPI
Federal Grants Fund	34,909	Federal grants funds
Other Specific Revenue Fund	7,681	MAC reimbursement
Total governmental activities	<u>\$ 359,004</u>	

Business-type activities:

School Food Service Fund	\$ 19,534	USDA reimbursement
Child Care Fund	2,452	DSS fees
Total governmental activities	<u>\$ 21,986</u>	

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

3. Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 53,670	\$ -	\$ -	\$ 53,670
Construction in progress	51,570	25,520	77,090	-
Total capital assets not being depreciated	105,240	25,520	77,090	53,670
Capital assets being depreciated:				
Buildings	21,647,001	-	-	21,647,001
Equipment and furniture	851,486	119,982	-	971,468
Vehicles	1,614,766	27,922	8,000	1,634,688
Total capital assets being depreciated	24,113,253	147,904	8,000	24,253,157
Less accumulated depreciation for:				
Buildings	10,119,445	387,991	-	10,507,436
Equipment and furniture	685,946	130,052	-	815,998
Vehicles	1,039,495	79,269	8,000	1,110,764
Total accumulated depreciation	11,844,886	597,312	8,000	12,434,198
Total capital assets being depreciated, net	12,268,367			11,818,959
Governmental activity capital assets, net	\$ 12,373,607			\$ 11,872,629

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 521,846
Operational support services	75,466
Total	\$ 597,312

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Food service equipment	\$ 280,820	\$ -	\$ -	\$ 280,820
Total capital assets being depreciated	280,820	-	-	280,820
Less accumulated depreciation for:				
Food service equipment	242,085	9,374	-	251,459
Total accumulated depreciation	242,085	9,374	-	251,459
Business-type activities capital assets, net	\$ 38,735			\$ 29,361

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

B. Liabilities

1. Pensions Plan Obligations

a. Teachers' and State Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 15.21% of annual covered payroll. The contribution requirements of plan members and Gates County Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2015, 2014, and 2013, and were \$1,693,250, \$1,528,217, and \$1,546,376, respectively, equal to the required contributions for each year.

Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60 (10 years for members joining on or after August 1, 2011). Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2015, was 9.15% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$1,018,622 for the year ended June 30, 2015.

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

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

At June 30, 2015, the Board reported a liability of \$952,123 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 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, 2014, the Board's proportion was .081%, which was an increase of .001% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Board recognized pension expense of \$417,745. At June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ 38,613	\$ -
Contributions made to the pension plan in the current year	1,018,623	
Difference between projected and actual earnings on plan investments		3,216,876
Difference between expected and actual experience		221,935
	<u>\$ 1,057,236</u>	<u>\$ 3,438,811</u>

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

\$1,018,622 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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (852,589)
2017	(852,589)
2018	(852,589)
2019	(842,431)
2020	-
Thereafter	-
	<u><u>\$ (3,400,198)</u></u>

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 9.10 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 6,834,999	\$ 952,123	\$ (4,015,109)

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

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

b. Other Post-Employment Benefits

1. Healthcare Benefits

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

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

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2015, 2014, and 2013, the School Board paid all annual required contribution to the Plan for postemployment healthcare benefits of \$611,173, \$561,770, and \$576,080, respectively. These contributions represented 5.49%, 5.40%, and 5.30%, of covered payroll, respectively.

2. Long-term Disability Benefits

Plan Description. Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan. The DIPNC is administered by the board of Trustees of the Teachers' and State Employees' Retirement System. Long-term disability benefits are payable as another postemployment benefit for DIPNC after the conclusion of the short term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

accumulates contributions from employees and any earnings on those contributions in the Disability Income Plan Trust Fund. The plan does not provide for automatic post-retirement benefit increases.

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

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

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

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135 Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separate from the number of members currently eligible to receive disability benefits as another postemployment benefit. For the fiscal years ended June 30, 2015, 2014, and 2013, the Board paid all annual required

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

contributions to the DIPNC for disability benefits of \$45,643, \$45,774, and \$47,809, respectively. These contributions represented 0.41%, 0.44%, and 0.44%, of covered payroll, respectively.

3. Accounts Payable

Accounts payable as of June 30, 2015, are as follows:

	<u>Salaries and</u> <u>Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 3,942	\$ 46,389	\$ 50,331
Other governmental	356,839	-	356,839
Total governmental activities:	<u>\$ 360,781</u>	<u>\$ 46,389</u>	<u>\$ 407,170</u>

4. Deferred Inflows of Resources

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

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ 38,613	\$ -
Contributions made to the pension plan in the current year	1,018,623	
Difference between projected and actual earnings on plan investments		3,216,876
Difference between expected and actual experience		221,935
	<u>\$ 1,057,236</u>	<u>\$ 3,438,811</u>

5. Risk Management

The Board is exposed to various risks of losses to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has annual aggregate limit for general liability of \$2,550,000 and an annual aggregate limit of \$2,550,000 for errors and omission claims. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability. Statutory workers' compensation coverage is purchased through private insurers or self-insured by the local board. Coverage is provided to the extent employees are paid from Federal or local funds. Workers' Compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

financing administered by the North Carolina Department of Public Instruction. This insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on Flood, Earthquake, Business Interruption and Extra Expense. \$10 million per occurrence is provided on Increased Cost of Construction.

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

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

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

5. Long-Term Liabilities

a. Installment Purchase

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The state has accepted a bid to purchase replacement school buses through a special third party financing arrangement by Banc of America Public Capital Corporation (BAPCC) at total payments less than the purchase price. In February 2014, the Board entered into an installment purchase contract to finance the purchase of one school bus. The financing contract requires only principal payments of \$19,903.

The future minimum payments of the installment purchase as of June 30, 2015, including \$359 implied interest:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2016	\$ 19,002	\$ 180
2017	19,004	179
2018	-	-
2019	-	-
2020	-	-
Thereafter	-	-
Total	<u>\$ 38,006</u>	<u>\$ 359</u>

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2015:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion
<i>Governmental activities:</i>					
Installment purchases	\$ 76,014	\$ -	\$ 38,008	\$ 38,006	\$ 19,004
Net pension liability	4,693,444	-	3,769,885	923,559	-
Compensated absences	950,465	1,195,517	1,204,139	941,843	941,843
Total	<u>\$ 5,719,923</u>	<u>\$ 1,195,517</u>	<u>\$ 5,012,032</u>	<u>\$ 1,903,408</u>	<u>\$ 960,847</u>
<i>Business-type activities:</i>					
Net pension liability	\$ 145,158	\$ -	\$ 116,594	\$ 28,564	\$ -
Compensated absences	32,611	36,557	39,898	29,270	29,270
	<u>\$ 177,769</u>	<u>\$ 36,557</u>	<u>\$ 156,492</u>	<u>\$ 57,834</u>	<u>\$ 29,270</u>

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

c. Interfund Balances and Activities

Transfers to/from other funds at June 30, 2015, consist of the following:

	Amount
From the Other Specific Revenue Fund to the Child Care Fund	\$ 21,172
From the State Public School Fund to the School Food Service Fund	45,664
	<u>\$ 66,836</u>

Gates County Board of Education, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

d. Fund Balance

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

Total fund balance - General Fund	\$ 1,021,252
Less:	
Stabilization for State Statute	5,560
Subsequent years expenditures	-
Remaining Fund Balance	\$ 1,015,692
Total fund balance - Other Specific Revenue Fund	\$ 86,053
Less:	
Stabilization for State Statute	10,161
Committed for Community Center	21,779
Committed for Grants	3,977
Remaining Fund Balance	\$ 50,136

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Change in Accounting Principles/Restatement

The Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Board to record beginning net pension liability and the effects on net position of contributions made by the Board during the measurement period (fiscal year 2014). As a result, net position for the governmental activities and business-type activities decreased by \$3,816,537 and \$118,037.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

Gates County Board of Education, North Carolina
Schedules of Required Supplementary Information
Schedule of the Board's Proportionate Share of the Net Pension Liability
Teachers' and State Employees' Retirement System
For the Fiscal Year Ended June 30, 2015

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

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

**Gates County Board of Education, North Carolina
Schedules of Required Supplementary Information
Schedule of Board Contributions
Teachers' and State Employees' Retirement System
Last 2 Fiscal Years**

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

**COMBINING AND INDIVIDUAL
STATEMENTS AND SCHEDULES**

Gates County Board of Education, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	2015		Variance
	Budget	Actual	Positive (Negative)
Revenues			
Gates County:			
Appropriation from county	\$ 2,708,000	\$ 2,708,000	\$ -
Other:			
Fines and forfeitures	60,645	60,645	-
Total revenues	2,768,645	2,768,645	-
Expenditures:			
Instructional services			
Regular instructional	193,174	193,099	75
Special populations	13,182	13,182	-
Alternative programs	161	161	-
School leadership	51,937	51,937	-
Co-curricular	103,313	96,944	6,369
School-based support	97,867	97,687	180
Total	<u>459,634</u>	<u>453,010</u>	<u>6,624</u>
System-wide support services			
Support and development	50,861	50,861	-
Special populations support and development	-	-	-
Technology support	73,022	73,022	-
Operational support	1,758,574	1,755,097	3,477
Financial and human resources	262,295	257,751	4,544
Accountability	37,856	37,856	-
System-wide pupil support	99,620	99,620	-
Policy, leadership, and public relations	174,546	173,669	877
Total	<u>2,456,774</u>	<u>2,447,876</u>	<u>8,898</u>
Ancillary services	<u>8,531</u>	<u>8,531</u>	<u>-</u>
Non-programmed charges	-	-	-
Total expenditures	<u>2,924,939</u>	<u>2,909,417</u>	<u>15,522</u>
Excess of revenues over expenditures	<u>(156,294)</u>	<u>(140,772)</u>	<u>(15,522)</u>
Other financing sources (uses):			
Fund balance appropriated	177,466	-	177,466
Operating transfer in (out)	(21,172)	(21,172)	-
Total	<u>156,294</u>	<u>(21,172)</u>	<u>177,466</u>
Net change in fund balance	<u>\$ -</u>	<u>(161,944)</u>	<u>\$ 161,944</u>
Fund balance, beginning		1,183,196	
Fund balance, ending		<u>\$ 1,021,252</u>	

Gates County Board of Education, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2015

	<u>Special Revenue Funds</u>					Total Non-major Governmental Funds
	<u>Federal Grants</u>	<u>Other Specific Revenue</u>	<u>Individual Schools</u>	<u>Total Special Revenue Funds</u>	<u>Capital Outlay</u>	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ -	\$ 83,982	\$ 193,397	\$ 277,379	\$ 13,247	\$ 290,626
Accounts receivable	-	2,480	-	2,480	-	2,480
Due from other governments	34,909	7,681	-	42,590	-	42,590
Total current assets	<u>\$ 34,909</u>	<u>\$ 94,143</u>	<u>\$ 193,397</u>	<u>\$ 322,449</u>	<u>\$ 13,247</u>	<u>\$ 335,696</u>
LIABILITIES						
Current liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries and wages payable	34,909	5,516	-	40,425	-	40,425
Due to other funds	-	2,574	-	2,574	-	2,574
Total liabilities	<u>34,909</u>	<u>8,090</u>	<u>-</u>	<u>42,999</u>	<u>-</u>	<u>42,999</u>
Deferred inflows of resources	-	-	-	-	-	-
Fund balances:						
Restricted:						
Stabilization by State Statute	-	10,161	-	10,161	-	10,161
School Capital Outlay	-	-	-	-	13,247	13,247
Individual Schools	-	-	193,397	193,397	-	193,397
Committed by Board	-	25,756	-	25,756	-	25,756
Unassigned	-	50,136	-	50,136	-	50,136
Total fund balance	<u>-</u>	<u>86,053</u>	<u>193,397</u>	<u>279,450</u>	<u>13,247</u>	<u>292,697</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 34,909</u>	<u>\$ 94,143</u>	<u>\$ 193,397</u>	<u>\$ 322,449</u>	<u>\$ 13,247</u>	<u>\$ 335,696</u>

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

Gates County Board of Education, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2015

	Special Revenue Funds				
	Federal Grants	Other Specific Revenue	Individual Schools	Total Special Revenue Funds	Capital Outlay
					Total Non-major Governmental Funds
Revenues					
Gates County:					
County appropriation	\$ -	\$ -	\$ -	\$ -	\$ 200,000
Community Center appropriation	-	237,000	-	237,000	-
Total Gates County	-	237,000	-	237,000	200,000
U. S. Government	1,156,464	119,262	-	1,275,726	-
State of North Carolina:					
Appropriation for buses	-	-	-	-	38,008
Other	-	311,420	-	311,420	-
Total State of North Carolina	-	311,420	-	311,420	38,008
Contributions and donations	-	-	94,222	94,222	-
Other:					
Interest income	-	1,950	-	1,950	84
Sales and use tax refund	-	17,075	-	17,075	562
Indirect cost allocation	-	47,199	-	47,199	-
Miscellaneous revenue	-	111,269	-	111,269	-
Activity bus	-	65,787	-	65,787	-
Rental of school property	-	5,474	-	5,474	-
Tuition and fees	-	73,055	-	73,055	-
Sale of fixed assets	-	3,800	-	3,800	-
Clubs and organizations	-	-	127,616	127,616	-
Fundraisers	-	-	117,693	117,693	-
Athletics	-	-	133,422	133,422	-
Total other	-	325,609	378,731	704,340	646
Total revenues	1,156,464	993,291	472,953	2,622,708	238,654

Gates County Board of Education, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2015

	Special Revenue Funds			Total Special Revenue Funds	Capital Outlay	Total Non-major Governmental Funds
	Federal Grants	Other Specific Revenue	Individual Schools			
Expenditures:						
Instructional services						
Regular instructional	92,614	112,060	-	204,674	-	204,674
Special populations	541,690	65,435	-	607,125	-	607,125
Alternative programs	413,675	175,311	-	588,986	-	588,986
School leadership	-	41,028	-	41,028	-	41,028
School-based support	6,785	131,526	441,899	580,210	-	580,210
Total	1,054,764	525,360	441,899	2,022,023	-	2,022,023
System-wide support services						
Support and development	598	6,280	-	6,878	-	6,878
Special populations support and development	1,808	1,159	-	2,967	-	2,967
Alternative programs and services support and development	25,412	-	-	25,412	-	25,412
Technology support	-	2,561	-	2,561	-	2,561
Operational support	7,238	24,384	-	31,622	-	31,622
Financial and human resources	20,314	84,749	-	105,063	-	105,063
Accountability	-	3,113	-	3,113	-	3,113
System-wide pupil support	-	1,044	-	1,044	-	1,044
Policy, leadership, and public relations	-	29,142	-	29,142	-	29,142
Total	55,370	152,432	-	207,802	-	207,802
Ancillary services	-	274,922	-	274,922	-	274,922
Non-programmed charges	46,330	-	-	46,330	-	46,330

Gates County Board of Education, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2015

	Special Revenue Funds				Total Non-major Governmental Funds
	Federal Grants	Other Specific Revenue	Individual Schools	Total Special Revenue Funds	Capital Outlay
Capital outlay:					
Real property and buildings	-	-	-	-	188,401
Furniture and equipment	-	-	-	-	-
Buses and motor vehicles	-	-	-	-	48,601
Total	-	-	-	-	237,002
Debt service	-	-	-	-	38,008
Total expenditures	1,156,464	952,714	441,899	2,551,077	275,010
Excess of revenues over expenditures	-	40,577	31,054	71,631	(36,356)
Other financing sources (uses):					
Installment purchase obligation issued	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	-	40,577	31,054	71,631	(36,356)
Fund balances, beginning	-	45,476	162,343	207,819	49,603
Fund balances, ending	\$ -	\$ 86,053	\$ 193,397	\$ 279,450	\$ 13,247

Gates County Board of Education, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Federal Grants Fund
For the Fiscal Year Ended June 30, 2015

	2015		Variance
	Budget	Actual	Positive (Negative)
Revenues			
U. S. Government	\$ 1,300,062	\$ 1,156,464	\$ (143,598)
Expenditures:			
Instructional services			
Regular instructional	102,057	92,614	9,443
Special populations	592,612	541,690	50,922
Alternative programs	436,732	413,675	23,057
School-based support	7,311	6,785	526
Total	<u>1,138,712</u>	<u>1,054,764</u>	<u>83,948</u>
System-wide support services			
Support and development	598	598	-
Special populations support and development	1,808	1,808	-
Alternative programs and services support and development	25,567	25,412	155
Technology support	43,151	-	43,151
Operational support	9,200	7,238	1,962
Financial and human resources	20,583	20,314	269
Total	<u>100,907</u>	<u>55,370</u>	<u>45,537</u>
Non-programmed charges	<u>60,443</u>	<u>46,330</u>	<u>14,113</u>
Total expenditures	<u>1,300,062</u>	<u>1,156,464</u>	<u>143,598</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

Gates County Board of Education, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Other Specific Revenue Fund
For the Fiscal Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Revenues			
U. S. Government	\$ 110,517	\$ 119,262	\$ 8,745
State of North Carolina	319,122	311,420	(7,702)
Gates County:			
Community Center appropriation	237,000	237,000	-
Other:			
Indirect cost allocation	47,219	47,199	(20)
Interest earned on investments	1,802	1,950	148
Miscellaneous revenue	114,094	111,269	(2,825)
Rental of school property	5,474	5,474	-
Activity bus	65,787	65,787	-
Sales tax	17,075	17,075	-
Tuition and fees	70,456	73,055	2,599
Sale of fixed assets	3,800	3,800	-
Total other	325,707	325,609	(98)
Total revenues	992,346	993,291	945
Expenditures:			
Instructional services			
Regular instructional	114,570	112,060	2,511
Special populations	73,577	65,435	8,142
Alternative programs	175,489	175,311	178
School leadership	41,028	41,028	-
School-based support	139,774	131,526	8,248
Total	544,438	525,360	19,078

Gates County Board of Education, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Other Specific Revenue Fund
For the Fiscal Year Ended June 30, 2015

	2015		Variance
	Budget	Actual	Positive (Negative)
System-wide support services			
Support and development	6,280	6,280	-
Special populations support and development	1,159	1,159	-
Technology support	2,561	2,561	-
Operational support	24,384	24,384	-
Financial and human resources	84,749	84,749	-
Accountability	3,113	3,113	-
System-wide pupil support	1,044	1,044	-
Policy, leadership, and public relations	29,142	29,142	-
Total	<u>152,432</u>	<u>152,432</u>	<u>-</u>
Ancillary services	295,476	274,922	20,554
Total expenditures	<u>992,346</u>	<u>952,714</u>	<u>39,632</u>
Excess of revenues over expenditures	<u>-</u>	<u>40,577</u>	<u>(40,577)</u>
Other financing sources (uses)			
Fund balance appropriated	-	-	-
Transfer to other funds	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>40,577</u>	<u>\$ 40,577</u>
Fund balance, beginning		45,476	
Fund balance, ending		<u>\$ 86,053</u>	

Gates County Board of Education, North Carolina
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Capital Outlay Fund
For the Fiscal Year Ended June 30, 2015

	2015		Variance
	Budget	Actual	Positive (Negative)
Revenues			
Gates County:			
Appropriation from county	\$ 200,000	\$ 200,000	\$ -
Total Gates County	<u>200,000</u>	<u>200,000</u>	<u>-</u>
State of North Carolina:			
State appropriation-buses	<u>156,794</u>	<u>38,008</u>	<u>(118,786)</u>
Other:			
Interest earned on investments	77	84	7
Sales tax refund	-	562	562
Total other	<u>77</u>	<u>646</u>	<u>569</u>
Total revenues	<u>356,871</u>	<u>238,654</u>	<u>(118,217)</u>
Expenditures:			
Capital Outlay:			
Land and buildings	190,476	188,401	2,075
Furniture and equipment	-	-	-
Vehicles	48,601	48,601	-
Debt service:			
Principal	156,794	38,008	118,786
Interest	-	-	-
Total expenditures	<u>395,871</u>	<u>275,010</u>	<u>120,861</u>
Excess of revenues over expenditures	<u>(39,000)</u>	<u>(36,356)</u>	<u>(2,644)</u>
Other financing sources			
Fund balance appropriated	39,000	-	39,000
Total	<u>39,000</u>	<u>-</u>	<u>39,000</u>
Net change in fund balance	<u>\$ -</u>	<u>(36,356)</u>	<u>\$ (36,356)</u>
Fund balance, beginning		49,603	
Fund balance, ending		<u>\$ 13,247</u>	

Gates County Board of Education, North Carolina
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
School Food Service Fund
For the Fiscal Year Ended June 30, 2015

	2015		Variance
	Budget	Actual	Positive (Negative)
Operating revenues, food sales	\$ 280,251	\$ 261,126	\$ (19,125)
Operating expenditures:			
Business support services:			
Purchase of food	-	276,768	-
Donated commodities	-	47,226	-
Salaries and benefits	-	537,700	-
Indirect costs	-	98,389	-
Materials and supplies	-	31,216	-
Contracted services	-	15,273	-
Travel	-	1,090	-
Other	-	4,702	-
Total operating expenditures	1,040,165	1,012,364	27,801
Operating loss	(759,914)	(751,238)	8,676
Nonoperating revenues (expenditures):			
Federal reimbursements	512,485	528,939	16,454
Federal commodities	47,226	47,226	-
Sales tax refund	246	246	-
Interest earned	22	22	-
Indirect cost not paid	84,234	98,389	14,155
Depreciation expense	(11,309)	-	11,309
Total nonoperating revenues (expenditures)	632,904	674,822	41,918
Excess of revenues over (under) expenditures before other financing sources	(127,010)	(76,416)	50,594
Other financing sources:			
Fund balance appropriated	81,348	-	(81,348)
Transfer from other funds	45,662	45,664	2
Total other financing sources	127,010	45,664	(81,346)
Excess of revenues and other sources over (under) expenditures	\$ -	(30,752)	\$ (30,752)
Reconciliation of modified accrual to full accrual:			
Reconciling items:			
Depreciation		(9,374)	
Contributions to the pension plan in the current fiscal year		30,559	
Indirect costs		98,389	
Indirect costs not paid		(98,389)	
Decrease in inventory		(10,423)	
Pension plan expense		(12,532)	
Decrease in vacation pay		3,340	
Change in net position (full accrual)		\$ (29,182)	

Gates County Board of Education, North Carolina
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Child Care Fund
For the Fiscal Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Child care fees	\$ 163,585	\$ 165,217	\$ 1,632
Expenditures:			
Regular community service:			
Salaries and benefits	161,791	161,791	-
Purchase of food	16,617	16,617	-
Materials and supplies	5,124	4,624	500
Contracted services	-	-	-
Workshops	624	624	-
Other	601	601	-
Total expenditures	<u>184,757</u>	<u>184,257</u>	<u>500</u>
Revenues over expenditures	(21,172)	(19,040)	2,132
Other financing sources:			
Transfer from other funds	<u>21,172</u>	<u>21,172</u>	<u>-</u>
Revenues and other sources over expenditures	<u>\$ -</u>	2,132	<u>\$ 2,132</u>
Reconciliation of modified accrual to full accrual:			
Reconciling items:			
Bad debt expense		(15,000)	
Indirect costs		-	
Change in net position (full accrual)		<u>\$ (12,868)</u>	

COMPLIANCE SECTION

DONNA H. WINBORNE, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL CORPORATION

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

1393 N. BROAD STREET
P.O. BOX 567
EDENTON, NORTH CAROLINA 27932
TELEPHONE: (252) 482-8461
FAX (252) 482-4921

DONNA H. WINBORNE, CPA

**Report On Internal Control Over Financial Reporting And On Compliance and
Other Matters Based On An Audit Of Financial Statements Performed In
Accordance With *Government Auditing Standards***

Independent Auditor's Report

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Gates County Board of Education, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the Gates County Board of Education's basic financial statements, and have issued my report thereon dated October 12, 2015.

Internal Control Over Financial Reporting

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

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

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

MEMBER OF:

THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

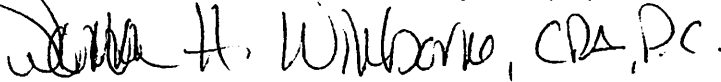
THE NORTH CAROLINA
ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



Elizabeth City, North Carolina
October 12, 2015

DONNA H. WINBORNE, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL CORPORATION

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

1393 N. BROAD STREET
P.O. BOX 567
EDENTON, NORTH CAROLINA 27932
TELEPHONE: (252) 482-8461
FAX (252) 482-4921

DONNA H. WINBORNE, CPA

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

I have audited the Gates County Board of Education, North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Gates County Board of Education's major federal programs for the year ended June 30, 2015. The Gates County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

MEMBER OF:

THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

THE NORTH CAROLINA
ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

Opinion on Each Major Federal Program

In my opinion, the Gates County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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



Anna H. Wilberne, CPA, PC.

Elizabeth City, North Carolina
October 12, 2015

DONNA H. WINBORNE, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL CORPORATION

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

1393 N. BROAD STREET
P.O. BOX 567
EDENTON, NORTH CAROLINA 27932
TELEPHONE: (252) 482-8461
FAX (252) 482-4921

DONNA H. WINBORNE, CPA

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

I have audited the Gates County Board of Education, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Gates County Board of Education's major state programs for the year ended June 30, 2015. The Gates County Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Gates County Board of Education's major state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Gates County Board of Education's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion on compliance for each major state program. However, my audit does not provide a legal determination of the Gates County Board of Education's compliance.

MEMBER OF:

THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

THE NORTH CAROLINA
ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

Opinion on Each Major State Program

In my opinion, the Gates County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

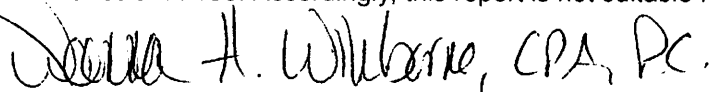
Report on Internal Control Over Compliance

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

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

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

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



Elizabeth City, North Carolina
October 12, 2015

Gates County Board of Education, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

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

Noncompliance material to financial
statements noted ☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? ☐ yes ☒ no

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

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

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
84.010	Title I Grants to Local Education Agencies-Basic
10.553, 10.555, & 10.559	Child Nutrition Program Cluster
84.027 & 84.173	Special Education Cluster
84.323	NC State improvement Project (NC SIP)

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

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

**Gates County Board of Education, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015**

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

State Awards

Internal control over major State programs:

Material weakness(es) identified? ☐ yes ☒ no

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

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

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

Identification of major State programs:

Program Name
State Public School Fund

Section II. Financial Statement Findings

None reported.

**Gates County Board of Education, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015**

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

**Gates County Board of Education, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2015**

No items to report.

**Gates County Board of Education, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2015**

Section II. Financial Statement Findings

Finding: 2014-001

Status: This finding has been corrected.

Section IV. State Award Findings and Questioned Costs

Finding: 2014-002

Status: This finding has been corrected.

Finding: 2014-003

Status: This finding has been corrected.

Gates County Board of Education, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities)			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555		47,226
Non-Cash Assistance			47,226
Cash Assistance			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553		\$ 375,987
National School Lunch Program	10.555		147,516
Passed-through the N.C. Department of Health and Human Services:			
Division of Public Health:			
Summer Food Service Program for Children	10.559		1,899
Total Cash Assistance			525,402
Total U. S. Department of Agriculture			572,628
<u>U.S. Department of Education</u>			
Cash Assistance			
Passed-through the N.C. Department of Public Instruction:			
Title I, Part A Cluster			
Title I Grants to Local Education Agencies (Title I, Part A of ESEA)	84.010	PRC 050	427,443
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B) - Education of the Handicapped	84.027	PRC 060	448,690
IDEA - Children with Disabilities - Risk Pool	84.027	PRC 114	76,868
IDEA VI-B Special Needs Targeted Assistance	84.027	PRC 118	3,064
Special Education - Preschool Grants (IDEA Preschool) - Preschool Handicapped	84.173	PRC 049	23,406
IDEA - Targeted Assistance for Preschool Federal Grant	84.173	PRC 119	4,133
Total Special Education Cluster:			556,161
NC State Improvement Project (NC SIP)	84.323	PRC 082	18,024
Career and Technical Education -- Basic Grants to States	84.048	PRC 058	1,276
Adult Education - Basic Grants to States	84.048	PRC 017	21,877
Improving Teacher Quality State Grants	84.367	PRC 103	67,632
Rural Education	84.358	PRC 109	36,671
Governor's Teacher Network	84.395	PRC 154	24,562
ARRA - Race to the Top	84.395	PRC 156	2,818
Total U. S. Department of Education			1,156,464
<u>U.S. Department of Health and Human Services</u>			
Division of Social Services:			
Medical Assistance Program	93.999		83,102
National Endowment for the Arts			
A+ Grant	45.024		28,515
Total federal assistance			1,840,709

Gates County Board of Education, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2015

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
State Grants:			
Cash Assistance			
<u>N. C. Department of Public Instruction:</u>			
State Public School Fund			\$ 11,942,967
Driver Training - SPSF		PRC 012	25,994
School Technology Fund - SPSF		PRC 015	27,183
Vocational Education			
- State Months of Education		PRC 013	769,952
- Program Support Funds		PRC 014	72,984
Total N. C. Department of Public Instruction			<u>12,839,080</u>
<u>N. C. Arts Council - Department of Cultural Resources:</u>			
Cultural Resources Grant			19,325
<u>N. C. Department of Health and Human Services:</u>			
School Nurse Grant			123,873
Division of Child Development:			
NC Pre-Kindergarten Program			156,750
<u>Department of Juvenile Justice:</u>			
Passed-through Gates County:			
Juvenile Crime Prevention Program			36,395
Non-Cash Assistance			
<u>N. C. Department of Public Instruction:</u>			
Textbooks			<u>20,290</u>
Total State Assistance			<u>13,195,713</u>
Total federal and State Assistance			<u>\$ 15,036,422</u>

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

1. Basis of Presentation

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