

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

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**

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

## **List of Principal Officials June 30, 2021**

### **BOARD OF EDUCATION**

Ray Felton, Chairman	Glendale P. Boone, Vice-Chair	
Amanda J. Pacitto	Leslie S. Byrum	Sallie J. Ryan

### **OFFICE OF THE SUPERINTENDENT**

Dr. Phillip Barry Williams Superintendent	Sandra Pittman Finance Officer
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### **INDIVIDUAL SCHOOLS Principals**

Gail Hawkins Buckland Elementary School	Dr. Shawn Wilson Gateville Elementary School
Amber Buxton T. S. Cooper Elementary School	Kelly Eure Central Middle School
Jonathan Hayes Gates County High School	

# GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA

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## **FINANCIAL SECTION**

INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Gates County, North Carolina

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Gates County Board of Education as of and for the year ended June 30, 2021, 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 Accounting 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 from material misstatement.

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

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

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Gates County Board of Education, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof 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 the management's discussion and analysis on pages 3 through 10 and the Schedule of the Proportionate Share of the Net Pension and OPEB

Liabilities and the Schedules of Board Contributions on pages 45 through 50, 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.

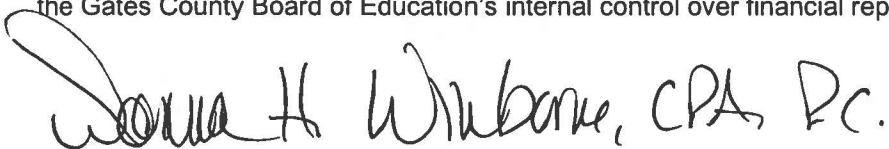
#### ***Supplementary and Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gates County Board of Education's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor 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 nonmajor 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 as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated October 25, 2021 on my consideration of Gates County Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Gates County Board of Education's internal control over financial reporting and compliance.



Edenton, North Carolina

October 25, 2021

## 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, 2021. This information should be read in conjunction with the audited financial statements included in this report.

### ***Financial Highlights***

- FY21 saw continued extraordinary events related to COVID-19 resulting in operational and budgetary adjustments.
- The Board continues to work closely with the Gates County Board of Commissioners to find ways to fund the continuing need for additional classroom space.
- The Board experienced a decrease in enrollment of 70 students (or 4%) from the previous year.
- As of June 30, 2021, the Board's governmental funds reported a combined fund balance of \$1,740,374, a \$185,664 increase over last year. Of this total amount, approximately 48%, or \$839,866 is available for appropriation.

### ***Overview of the Financial Statements***

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

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

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

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary funds are presented on the full accrual basis of accounting.

The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, a reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on the financial resources of each of the Board's major funds.

### **Government-wide Statements**

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

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

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

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

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

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

### **Fund Financial Statements**

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

- Some funds are required by State law, such as the State Public School Fund.

- The Board has established other funds, such as the Federal Grants fund, to control and manage money for a particular purpose or to show that it is properly using certain revenues.

Gates County Board of Education has two types of funds:

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

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

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

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

### ***Financial Analysis of the Schools as a Whole***

Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$9,177,496 as of June 30, 2021. The largest component of net position is unrestricted net position of (\$29,809,148), which exceeds the total net position (deficit).

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	
	2021	2020	2021	2020	2021	2020
Current Assets	\$ 2,490,138	\$ 2,373,648	\$ 244,966	\$ 142,847	\$ 2,735,104	\$ 2,516,495
Capital Assets	20,107,331	20,857,691	36,807	43,813	20,144,138	20,901,504
Total Assets	22,597,469	23,231,339	281,773	186,660	22,879,242	23,417,999
Deferred Outflows of Resources	5,482,176	4,792,521	228,425	199,685	5,710,601	4,992,206
Current Liabilities	718,789	791,946	16,305	14,011	735,094	805,957
Long-Term Liabilities	26,982,551	28,015,686	1,119,941	1,150,139	28,102,492	29,165,825
Total Liabilities	27,701,340	28,807,632	1,136,246	1,164,150	28,837,586	29,971,782
Deferred Inflows of Resources	8,572,563	8,033,244	357,190	334,719	8,929,753	8,367,963
Net Investment in Capital Assets	20,086,171	20,750,578	36,807	43,813	20,122,978	20,794,391
Restricted Net Position	507,383	516,428	1,291	1,125	508,674	517,553
Unrestricted Net Position	(28,787,812)	(30,084,022)	(1,021,336)	(1,157,462)	(29,809,148)	(31,241,484)
Total Net Position	\$ (8,194,258)	\$ (8,817,016)	\$ (983,238)	\$ (1,112,524)	\$ (9,177,496)	\$ (9,929,540)

Note that the Board carries capital assets for which Gates County carries the offsetting debt.

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

Table 2						
Condensed Statement of Revenues, Expenses, and Changes in Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$ 188,111	\$ 379,188	\$ 286,342	\$ 385,755	\$ 474,453	\$ 764,943
Operating grants and contributions	14,407,895	13,582,971	773,653	766,330	15,181,548	14,349,301
Capital grants and contributions	-	5,450	-	-	-	5,450
<i>General Revenues:</i>						
Other revenues	6,112,928	11,838,565	13,068	1,967	6,125,996	11,840,532
Total Revenues	20,708,934	25,806,174	1,073,063	1,154,052	21,781,997	26,960,226
Expenses:						
<i>Governmental activities:</i>						
Instructional services	14,388,347	14,311,567	-	-	14,388,347	14,311,567
System-wide support services	4,780,462	4,956,645	-	-	4,780,462	4,956,645
Ancillary services	249,216	312,679	-	-	249,216	312,679
Non-programmed charges	28,953	27,224	-	-	28,953	27,224
Depreciation	543,639	543,639	-	-	543,639	543,639
<i>Business-type activities:</i>						
Food service	-	-	736,516	948,874	736,516	948,874
Child Care	-	-	301,617	277,742	301,617	277,742
Total Expenses	19,990,617	20,151,754	1,038,133	1,226,616	21,028,750	21,378,370
Transfers in (out)	(95,556)	(185,042)	95,556	185,042	-	-
Increase (decrease) in net position	622,761	5,469,378	130,486	112,478	753,247	5,581,856
Net position, beginning	(8,817,019)	(14,286,394)	(1,113,724)	(1,225,002)	(9,930,743)	(15,511,396)
Net position, ending	\$ (8,194,258)	\$ (8,817,016)	\$ (983,238)	\$ (1,112,524)	\$ (9,177,496)	\$ (9,929,540)

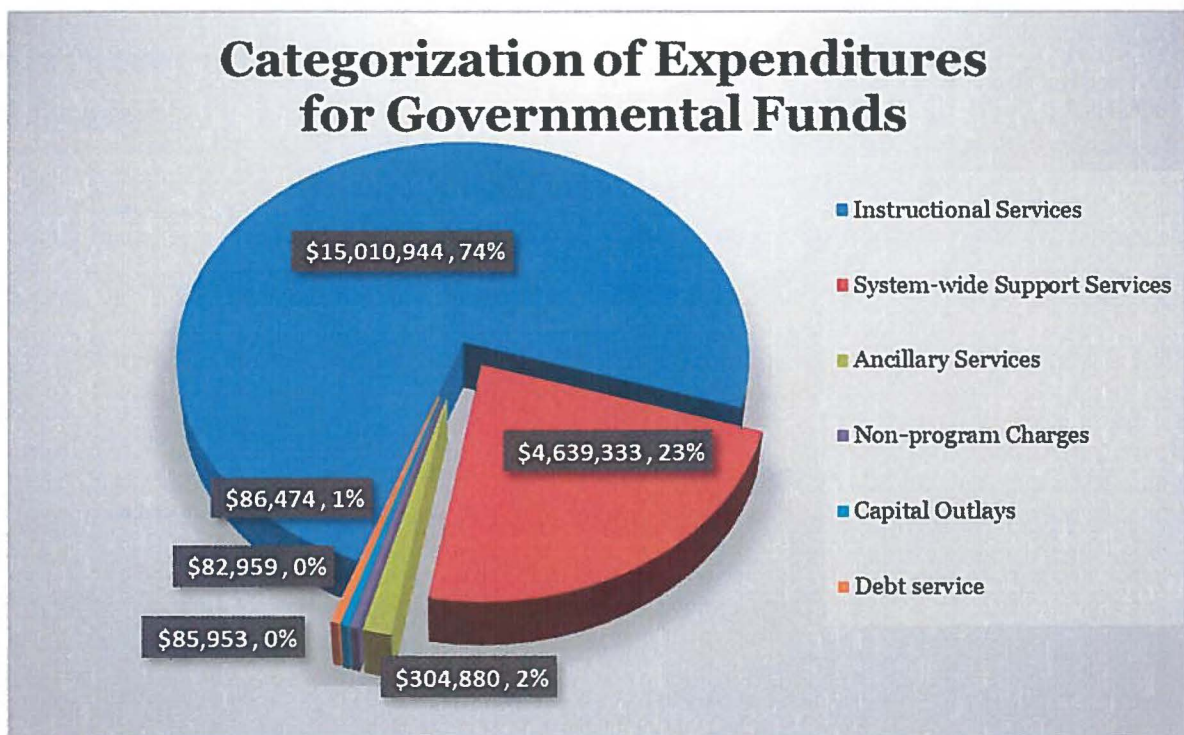
Total governmental activities generated revenues of \$20.7 million while expenses in this category totaled \$19.9 million for the year ended June 30, 2021. Comparatively, revenues were \$25.8 million and expenses totaled \$20.1 million for the year ended June 30, 2020. After transfers to the business-type activities, the increase in net position stands at \$622,758 at June 30, 2021, compared to an increase of \$5,469,378 in 2020. The significant variances in these figures from 2020 to 2021 are a result of the Central Middle School project completion. Instructional services expenses comprised 74% of total governmental-type expenses while system-wide support services made up 23% of those expenses for 2021. County funding comprised 16% of total governmental revenue for 2021, down from 36% in 2020 due to completion of construction at Central Middle School. Much of the remaining total governmental revenue for 2021 consists of restricted State and federal money. Business-type activities generated revenue of \$1,073,063 and expenses of \$1,038,133. Net position increased in the business-type activities by \$129,286 after transfers from the governmental activities of \$95,556.

## ***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 \$1,740,374, a \$185,664 increase over last year. All of the Board's governmental funds had combined revenues and other financing sources that exceeded expenditures and other uses. State funding decreased \$283,043 and County funding decreased \$5,735,138 due to completion of the Central Middle School construction. Expenditures decreased by \$5,219,313 from the prior year, also due in part to completion of the Central Middle School construction.

**Proprietary Funds:** The Board's business-type School Food Service Fund reflected an increase in net position over last year of \$131,613. The Child Care Fund reflected a decrease in net position from last year of \$1,127 largely due to reductions in enrollment due to COVID-19.



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 increase appropriations. The Board ended the year with a surplus of \$132,808 in the General Fund.

### ***Capital Assets***

Capital assets increased by \$71,572 from the previous year.

The following is a summary of the capital assets, net of depreciation at year-end.

Table 3							
Summary of Capital Assets							
	Governmental Activities		Business-type Activities		Total Primary Government		
	2021	2020	2021	2020	2021	2020	
Land	\$ 65,470	\$ 65,470	\$ -	\$ -	\$ 65,470	\$ 65,470	
Land Improvements	18,253	19,609	-	-	18,253	19,609	
Construction in progress	-	-	-	-	-	-	
Buildings	19,190,185	19,835,163	-	-	19,190,185	19,835,163	
Furniture and equipment	135,834	129,197	36,807	43,813	172,641	173,010	
Vehicles and motorized equipment	697,589	808,252	-	-	697,589	808,252	
Total	\$ 20,107,331	\$ 20,857,691	\$ 36,807	\$ 43,813	\$ 20,144,138	\$ 20,901,504	

### ***Debt Outstanding***

During the year the Board's outstanding debt decreased by \$85,953 due to the payment towards the installment financing paying for school buses. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction.

### ***Economic Factors***

Despite decreases in enrollment, the Board continues to anticipate a need for increased classroom space, teachers, and equipment due to implementation of a new state law reducing the classroom size for grades kindergarten through third grade. At the same time, the North Carolina Department of Public Instruction is advising school districts to plan for decreased State revenues. County funding is a major source of income for the Board; therefore, the County's economic outlook directly affects that of the schools. COVID-19 has resulted in unprecedented economic changes and the potential budgetary impacts have yet to be determined.

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

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

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

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

**Gates County Board of Education, North Carolina**  
**Statement of Net Position**  
**June 30, 2021**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,912,385	\$ 143,841	\$ 2,056,226
Due from other governments	508,924	28,337	537,261
Accounts receivable (net)	37,854	3,803	41,657
Net OPEB asset	30,975	1,291	32,266
Inventories	-	67,694	67,694
Capital assets			
Land and construction in progress	65,470	-	65,470
Other capital assets, net of depreciation	20,041,861	36,807	20,078,668
Total capital assets	20,107,331	36,807	20,144,138
Total assets	22,597,469	281,773	22,879,242
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	5,482,176	228,425	5,710,601
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 146,808	\$ 2,225	\$ 149,033
Accrued salaries and wages payable	571,981	-	571,981
Unearned revenues	-	14,080	14,080
Long term liabilities:			
Net pension liability	8,695,559	362,315	9,057,874
Net OPEB liability	17,217,920	717,413	17,935,333
Due within one year	726,978	28,749	755,727
Due in more than one year	342,094	11,464	353,558
Total liabilities	27,701,340	1,136,246	28,837,586
<b>DEFERRED INFLOWS OF RESOURCES</b>	8,572,563	357,190	8,929,753
<b>NET POSITION</b>			
Net investment in capital assets	20,086,171	36,807	20,122,978
Restricted for:			
Individual schools	181,904	-	181,904
Stabilization by state statute	37,854	-	37,854
School capital outlay	176,369	-	176,369
DIPNC OPEB Plan	30,975	1,291	32,266
Special populations services	26,573	-	26,573
Alternative programs and services	107	-	107
Support and development services	27,450	-	27,450
Operational support services	770	-	770
Community Center	25,381	-	25,381
Unrestricted	(28,787,812)	(1,021,336)	(29,809,148)
Total net position	\$ (8,194,258)	\$ (983,238)	\$ (9,177,496)

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, 2021**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 7,460,663	\$ 68,095	\$ 6,628,108	\$ -	\$ (764,460)	\$ -	\$ (764,460)
Special populations	2,208,604	-	2,167,025	-	(41,579)	-	(41,579)
Alternative programs	1,649,058	-	1,597,795	-	(51,263)	-	(51,263)
School leadership	1,273,562	-	791,030	-	(482,532)	-	(482,532)
Co-curricular	121,244	-	-	-	(121,244)	-	(121,244)
School-based support	1,675,216	115,516	1,083,342	-	(476,358)	-	(476,358)
System-wide support services:							
Support and development	60,270	-	20,470	-	(39,800)	-	(39,800)
Special populations support and development	126,062	-	59,536	-	(66,526)	-	(66,526)
Alternative programs and services							
support and development	35,312	-	16,158	-	(19,154)	-	(19,154)
Technology support	325,493	-	38,709	-	(286,784)	-	(286,784)
Operational support	2,977,917	4,500	1,276,518	-	(1,696,899)	-	(1,696,899)
Financial and human resources	535,820	-	131,797	-	(404,023)	-	(404,023)
Accountability	108,227	-	62,976	-	(45,251)	-	(45,251)
System-wide pupil support	89,100	-	97,593	-	8,493	-	8,493
Policy, leadership, and public relations	522,261	-	292,770	-	(229,491)	-	(229,491)
Ancillary services	249,216	-	71,910	-	(177,306)	-	(177,306)
Non-programmed charges	28,953	-	72,158	-	43,205	-	43,205
Unallocated depreciation expense	543,639	-	-	-	(543,639)	-	(543,639)
Total governmental activities	19,990,617	188,111	14,407,895	-	(5,394,611)	-	(5,394,611)
Business-type activities:							
School food service	736,516	22,718	773,653	-	-	59,855	59,855
Child care	301,617	263,624	-	-	-	(37,993)	(37,993)
Total business-type activities	1,038,133	286,342	773,653	-	-	21,862	21,862
Total primary government	\$ 21,028,750	\$ 474,453	\$ 15,181,548	\$ -	(5,394,611)	21,862	(5,372,749)
General revenues:							
Unrestricted county appropriations - operating					3,119,575	-	3,119,575
Unrestricted county appropriations - capital					200,000	-	200,000
Unrestricted State appropriations - operating					2,315,156	-	2,315,156
Unrestricted State appropriations - capital					85,953	-	85,953
Investment earnings, unrestricted					993	14	1,007
OPEB non-capital contributions					294,944	12,292	307,236
Miscellaneous, unrestricted					96,307	762	97,069
Transfers					(95,556)	95,556	-
Total general revenues and transfers					6,017,372	108,624	6,125,996
Change in net position					622,761	130,486	753,247
Net position, beginning					(8,817,019)	(1,113,724)	(9,930,743)
Net position, ending					\$ (8,194,258)	\$ (983,238)	\$ (9,177,496)

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, 2021**

	Major Funds			Non-major Funds	
	General	State Public School	Capital Outlay	Other	Total Governmental Funds
				Governmental Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,324,991	\$ 98,281	\$ -	\$ 489,113	\$ 1,912,385
Accounts receivable	642	-	-	37,212	37,854
Due from other funds	-	528	-	-	528
Due from other governments	-	475,569	-	33,355	508,924
Total assets	<u>\$ 1,325,633</u>	<u>\$ 574,378</u>	<u>\$ -</u>	<u>\$ 559,680</u>	<u>\$ 2,459,691</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 23,103	\$ -	\$ -	\$ 2,525	\$ 25,628
Accrued salaries and wages payable	54,577	475,569	-	41,835	571,981
Due to other funds	528	-	-	-	528
Due to other governments	-	98,809	-	22,371	121,180
Total liabilities	<u>78,208</u>	<u>574,378</u>	<u>-</u>	<u>66,731</u>	<u>719,317</u>
Fund balances:					
Restricted:					
Individual Schools	-	-	-	181,904	181,904
Stabilization by State Statute	642	-	-	37,212	37,854
School Capital Outlay	-	-	-	176,369	176,369
Committed:					
School Nurse	-	-	-	27,450	27,450
JCPC Grant	-	-	-	107	107
Medicaid	-	-	-	26,573	26,573
Activity bus	-	-	-	770	770
Community Center	-	-	-	25,381	25,381
Assigned:					
Subsequent years expenditures	424,100	-	-	-	424,100
Unassigned:	822,683	-	-	17,183	839,866
Total fund balances	<u>1,247,425</u>	<u>-</u>	<u>-</u>	<u>492,949</u>	<u>1,740,374</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,325,633</u>	<u>\$ 574,378</u>	<u>\$ -</u>	<u>\$ 559,680</u>	

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

Net OPEB asset	\$ 30,975
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.	20,107,331
Deferred outflows of resources related to pensions	3,452,920
Deferred outflows of resources related to OPEB	2,029,256

Some liabilities, including bonds payable and accrued interest, are not due in the current period and therefore are not reported in the funds (Note 6).	(1,069,072)
Net pension liability	(8,695,559)
Net OPEB liability	(17,217,920)
Deferred inflows of resources related to pensions	(27,858)
Deferred inflows of resources related to OPEB	(8,544,705)
Net position of governmental activities	<u>\$ (8,194,258)</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, 2021**

	<b>Major Funds</b>		<b>Non-major Funds</b>	
	<b>General</b>	<b>State Public School</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
State of North Carolina	\$ -	\$ 14,370,714	\$ 482,812	\$ 14,853,526
Gates County	2,888,000	-	431,575	3,319,575
U. S. Government	-	-	1,666,085	1,666,085
Contributions and donations	-	-	29,976	29,976
Other	24,428	-	598,173	622,601
Total revenues	<u>2,912,428</u>	<u>14,370,714</u>	<u>3,208,621</u>	<u>20,491,763</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instructional services				
Regular instructional	401,821	6,954,506	452,442	7,808,769
Special populations	120,956	1,448,512	737,498	2,306,966
Alternative programs	48,395	1,048,186	612,587	1,709,168
School leadership	21,065	1,252,144	60,648	1,333,857
Co-curricular	118,140	-	3,104	121,244
School-based support	88,068	1,252,455	390,417	1,730,940
System-wide support services				
Support and development	11,975	28,804	19,528	60,307
Special populations support and development	71,157	56,303	4,462	131,922
Alternative programs and services support and development	-	-	16,158	16,158
Technology support	108,145	223,526	11,788	343,459
Operational support	1,386,651	1,205,947	178,806	2,771,404
Financial and human resources	178,615	332,314	33,235	544,164
Accountability	54,582	62,976	1,099	118,657
System-wide pupil support	-	97,593	1,099	98,692
Policy, leadership, and public relations	141,281	357,401	55,888	554,570
Ancillary services	-	749	304,131	304,880
Non-programmed charges	28,769	(376)	58,081	86,474
<b>Capital outlay:</b>				
Real property and buildings	-	-	36,648	36,648
Furniture and equipment	-	-	24,570	24,570
Vehicles	-	-	21,741	21,741
<b>Debt service:</b>				
Principal	-	-	85,953	85,953
Interest	-	-	-	-
Total expenditures	<u>2,779,620</u>	<u>14,321,040</u>	<u>3,109,883</u>	<u>20,210,543</u>
Excess (deficiency) of revenues over expenditures	<u>132,808</u>	<u>49,674</u>	<u>98,738</u>	<u>281,220</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from (to) other funds	(21,892)	(49,674)	(23,990)	(95,556)
Total other financing sources (uses)	<u>(21,892)</u>	<u>(49,674)</u>	<u>(23,990)</u>	<u>(95,556)</u>
Net change in fund balance	110,916	-	74,748	185,664
Fund balances, beginning	1,136,509	-	418,201	1,554,710
Fund balances, ending	<u>\$ 1,247,425</u>	<u>\$ -</u>	<u>\$ 492,949</u>	<u>\$ 1,740,374</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, 2021**

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

Net changes in fund balances - total governmental funds	\$ 185,664
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.	(750,360)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,679,948
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	769,506
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amount is the net effect of these differences in the treatment of long-term debt and related items.	85,953
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	(2,444,428)
Net OPEB expense	613,368
OPEB non-capital contributions	294,944
Compensated absences	188,166
Total changes in net position of governmental activities	<u>\$ 622,761</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 Funds**  
**For the Year Ended June 30, 2021**

	General Fund			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Gates County	\$ 2,808,000	\$ 2,888,000	\$ 2,888,000	\$ -
Other	30,000	24,236	24,428	192
Total revenues	<u>2,838,000</u>	<u>2,912,236</u>	<u>2,912,428</u>	<u>192</u>
<b>EXPENDITURES</b>				
Current:				
Instructional services				
Regular instructional	318,591	421,037	401,821	19,216
Special populations	290,607	120,428	120,956	(528)
Alternative programs	144,185	48,395	48,395	-
School leadership	138,073	22,275	21,065	1,210
Co-curricular	120,271	126,382	118,140	8,242
School-based support	87,074	89,567	88,068	1,499
System-wide support services				
Support and development	17,200	11,975	11,975	-
Special populations support and development	83,325	71,157	71,157	-
Technology support	121,411	108,145	108,145	-
Operational support	1,431,226	1,395,240	1,386,651	8,589
Financial and human resources	194,478	180,397	178,615	1,782
Accountability	61,363	55,782	54,582	1,200
System-wide pupil support	3,500	-	-	-
Policy, leadership, and public relations	221,077	210,795	141,281	69,514
Ancillary services	3,919	4,258	-	4,258
Non-programmed charges	25,800	28,769	28,769	-
Total expenditures	<u>3,262,100</u>	<u>2,894,602</u>	<u>2,779,620</u>	<u>114,982</u>
Net change in fund balance	<u>(424,100)</u>	<u>17,634</u>	<u>132,808</u>	<u>(114,790)</u>
Other financing sources (uses)				
Fund balance appropriated	424,100	-	-	-
Total other financing sources (uses)	<u>424,100</u>	<u>(17,634)</u>	<u>(21,892)</u>	<u>(4,258)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	110,916	<u>\$ 110,532</u>
Fund balance, beginning			1,136,509	
Fund balance, ending			<u>\$ 1,247,425</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 Funds**  
**For the Year Ended June 30, 2021**

	State Public School Fund			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
State of North Carolina	\$ 14,153,993	\$ 14,518,452	\$ 14,370,714	\$ (147,738)
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instructional services				
Regular instructional	7,255,061	7,033,678	6,954,506	79,172
Special populations	1,284,483	1,454,223	1,448,512	5,711
Alternative programs	991,955	1,111,041	1,048,186	62,855
School leadership	1,140,562	1,252,144	1,252,144	-
Co-curricular	-	-	-	-
School-based support	1,213,292	1,252,455	1,252,455	-
System-wide support services				
Support and development	29,971	28,804	28,804	-
Special populations support and development	63,502	56,303	56,303	-
Alternative programs and service support and development	-	-	-	-
Technology support	228,607	223,526	223,526	-
Operational support	1,079,436	1,205,947	1,205,947	-
Financial and human resources	311,993	332,314	332,314	-
Accountability	59,183	62,976	62,976	-
System-wide pupil support	97,932	97,593	97,593	-
Policy, leadership, and public relations	344,134	357,401	357,401	-
Ancillary services	53,882	50,423	749	49,674
Non-programmed charges	-	(376)	(376)	-
Total expenditures	14,153,993	14,518,452	14,321,040	197,412
Revenues over (under) expenditures	-	-	49,674	49,674
Other financing sources (uses)				
Transfers to other funds	-	-	(49,674)	(49,674)
Total other financing sources (uses)	-	-	(49,674)	(49,674)
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, 2021**

	<b>Enterprise Funds</b>		
	<b>Major Funds</b>		
	<b>School Food Service</b>	<b>Child Care</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 115,593	\$ 28,248	\$ 143,841
Due from other governments	27,351	986	28,337
Accounts receivable (Net of allowance of \$459 in Child Care)	509	3,294	3,803
OPEB asset	968	323	1,291
Inventories	67,694	-	67,694
Due from other funds	2,070	-	2,070
Total current assets	<u>214,185</u>	<u>32,851</u>	<u>247,036</u>
Noncurrent assets:			
Capital assets:			
Food service equipment, net	36,807	-	36,807
Total noncurrent assets	<u>36,807</u>	<u>-</u>	<u>36,807</u>
Total assets	<u>250,992</u>	<u>32,851</u>	<u>283,843</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>171,319</u>	<u>57,106</u>	<u>228,425</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	24	2,201	2,225
Due to other funds	-	2,070	2,070
Compensated absences	20,525	8,224	28,749
Unearned revenues	11,850	2,230	14,080
Total current liabilities	<u>32,399</u>	<u>14,725</u>	<u>47,124</u>
Noncurrent liabilities:			
Compensated absences	3,229	8,235	11,464
Net OPEB liability	538,060	179,353	717,413
Net pension liability	271,736	90,579	362,315
Total noncurrent liabilities	<u>813,025</u>	<u>278,167</u>	<u>1,091,192</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>267,893</u>	<u>89,297</u>	<u>357,190</u>
<b>NET POSITION</b>			
Net investment in capital assets	36,807	-	36,807
DIPNC OPEB plan	968	323	1,291
Unrestricted	(728,781)	(292,555)	(1,021,336)
Total net position	<u>\$ (691,006)</u>	<u>\$ (292,232)</u>	<u>\$ (983,238)</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, 2021**

	Enterprise Funds		
	Major Funds		
	School Food Service	Child Care	Total
<b>OPERATING REVENUES</b>			
Food sales	\$ 22,718	\$ -	\$ 22,718
Child care fees	-	263,624	263,624
Other	-	762	762
Total operating revenues	22,718	264,386	287,104
<b>OPERATING EXPENSES</b>			
Food cost:			
Purchase of food	177,682	24,800	202,482
Donated commodities	66,444	-	66,444
Salaries and benefits	428,344	274,149	702,493
Materials and supplies	40,939	2,077	43,016
Depreciation	7,006	-	7,006
Contracted services	9,538	-	9,538
Travel	1,056	292	1,348
Utilities	4,670	-	4,670
Bad debt expense	-	179	179
Other	837	120	957
Total operating expenses	736,516	301,617	1,038,133
Operating loss	(713,798)	(37,231)	(751,029)
<b>NONOPERATING REVENUES</b>			
Federal reimbursements	673,860	-	673,860
Federal commodities	66,444	-	66,444
DHHS-COVID-19 Bonus Reimbursements	-	11,027	11,027
DHHS-COVID-19 Operational Grant	-	22,004	22,004
Sales tax refund	318	-	318
Interest earned	14	-	14
Total nonoperating revenues	740,636	33,031	773,667
Loss before contributions and transfers	26,838	(4,200)	22,638
<b>OTHER FINANCING SOURCES</b>			
Transfer from other funds	95,556	-	95,556
OPEB non-capital contributions	9,219	3,073	12,292
Total other financing sources	104,775	3,073	107,848
Change in net position	131,613	(1,127)	130,486
Total net position, beginning	(822,619)	(291,105)	(1,113,724)
Total net position, ending	\$ (691,006)	\$ (292,232)	\$ (983,238)

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

**Gates County Board of Education, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	Enterprise Funds		
	Major Funds		
	School Food Service	Child Care	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 23,468	\$ 263,345	\$ 286,813
Cash paid for goods and services	(254,640)	(27,077)	(281,717)
Cash paid to employees for services	(374,937)	(268,633)	(643,570)
Net cash used by operating activities	(606,109)	(32,365)	(638,474)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
(Increase) in due from other funds	(2,070)	-	(2,070)
Increase (Decrease) in due to other funds	(86,572)	2,070	(84,502)
Federal reimbursements	742,881	-	742,881
State reimbursements	318	-	318
OPEB non-capital contributions	9,219	3,073	12,292
DHHS-COVID-19 bonus reimbursements	-	11,027	11,027
DHHS-COVID-19 operational grant	-	22,004	22,004
Net cash provided by noncapital financing activities	663,776	38,174	701,950
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	14	-	14
Net decrease in cash and cash equivalents	57,681	5,809	63,490
Balances - beginning of year	57,912	22,439	80,351
Balances - end of year	\$ 115,593	\$ 28,248	\$ 143,841
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (713,798)	\$ (37,231)	\$ (751,029)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	7,006	-	7,006
Bad debt expense	-	179	179
Donated commodities consumed	66,444	-	66,444
Salaries paid by general fund	21,892	-	21,892
Salaries paid by special revenue fund	3,738	-	3,738
Supplements paid by federal fund	20,252	-	20,252
Salaries paid by state public school fund	49,674	-	49,674
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	(28)	(2,392)	(2,420)
(Increase) decrease in net OPEB asset	(124)	(42)	(166)
(Increase) decrease in inventory	(19,592)	-	(19,592)
(Increase) decrease in due from other governments	-	(280)	(280)
(Increase) decrease in deferred outflows	(21,555)	(7,185)	(28,740)
Increase (decrease) in accounts payable	(325)	212	(113)
Increase (decrease) in net pension liability	41,310	13,771	55,081
Increase (decrease) in net OPEB liability	(65,029)	(21,676)	(86,705)
Increase (decrease) in deferred inflows	16,854	5,617	22,471
Increase (decrease) in unearned revenues	777	1,631	2,408
Increase (decrease) in compensated absences	(13,605)	15,031	1,426
Total adjustments	107,689	4,866	112,555
Net cash used by operating activities	\$ (606,109)	\$ (32,365)	\$ (638,474)

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, 2021**

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

The State Public School Fund paid salaries and benefits of \$49,674 to administrative personnel of the School Food Service Fund during the year. The General Fund paid salaries and benefits of \$21,892 to personnel of the School Food Service Fund during the year. The Federal Fund paid supplements of \$20,252 to personnel of the School Food Service Fund during the year. The Other Specific Revenue Fund paid salaries and benefits of \$3,738 to personnel of the School Food Service Fund during the year. These payments are reflected as operating transfers in and an operating expense on Exhibit 8.

The School Food Service Fund received donated commodities with a value of \$66,444 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$66,444 worth of donated commodities during the fiscal year as an operating expense. These transactions are reported on Exhibit 8.

## **NOTES TO THE FINANCIAL STATEMENTS**

**Gates County Board of Education, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

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**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

**B. Basis of Presentation – Fund Accounting**

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

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

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

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

The Board reports the following major governmental funds:

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

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

The Board reports the following major enterprise funds:

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*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.

The Board reports the following non-major governmental funds:

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

*Other Specific Revenue Fund.* The Other Special Revenue Fund accounts for reimbursements, including indirect costs, fees for actual costs, tuition, sales tax refunds, gifts and grants restricted as to use, federal grants restricted as to use, federal appropriations made directly to the local school administrative units, funds received for prekindergarten programs, and special programs and appropriated fund balances.

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

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

**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.

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**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.

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

**1. Deposit and Investments**

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

**2. Cash and Cash Equivalents**

The Board pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash and investments with original maturities of three months or less are considered cash and cash equivalents.

**3. Inventories**

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

**4. Capital Assets**

Donated assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 2000 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

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

Gates County holds title to certain properties, which are reflected as capital assets in the financial statements of the Board. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board gives the schools full use of

**Gates County Board of Education, North Carolina**  
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the facilities, full responsibility for maintenance of the facilities, and provides that the County will convey title of the property back to the Board, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

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

	<u>Years</u>
Building and improvements	15-50
Equipment, furniture, and vehicles	5-15

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

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 several items that meet this criterion – pension and OPEB related deferrals and contributions made to the pension plans in the current fiscal year. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has pension and OPEB related deferrals that meet this criterion.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

7. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2021 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate of the current portion of compensated absences is based on the current amount used.

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

8. Net Position/Fund Balances

Net Position

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

**Gates County Board of Education, North Carolina**  
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**Fund Balance**

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

**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 \$(9,934,632) consists of several elements as follows:

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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)	\$ 33,406,103
Less - Accumulated Depreciation	<u>(13,298,772)</u>
Net capital assets	20,107,331
Net OPEB Asset	30,975
Pension related deferred outflows of resources	3,452,920
OPEB related deferred outflows of resources	2,029,256
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	(21,160)
Compensated Absences	(1,047,912)
Net pension liability	(8,695,559)
Net OPEB liability	(17,217,920)
Deferred inflows of resources related to pensions	(27,858)
Deferred inflows of resources related to OPEB	<u>(8,544,705)</u>
Total adjustment	<u><u>\$ (9,934,632)</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$437,099 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 71,572
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.	(821,932)
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	85,953
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,679,948
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	769,506
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	(2,444,427)
OPEB expense	613,369
OPEB non-capital contributions	294,944
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	<u>188,166</u>
	<u><u>\$ 437,099</u></u>

**Gates County Board of Education, North Carolina**  
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10. Defined Benefit Pension Plan and OPEB Plans

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

II. Stewardship, Compliance, and Accountability

None noted

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity of the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report the adequacy of their pooled collateral covering uninsured deposits to the State Treasurer. 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, 2021 the Board had deposits with banks with a carrying amount of \$1,935,549 and with the State Treasurer with a carrying amount of \$120,652. The bank balances with the financial institutions and the State Treasurer were \$2,001,146 and \$250,553, respectively. Of these balances, \$256,592 was covered by federal depository insurance, \$1,744,554 was covered by collateral held under the pooling method, and \$250,553 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

At June 30, 2021, the Board had petty cash of \$25.

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2. Accounts Receivable

Receivables at the government-wide level at June 30, 2021, were as follows:

	Due from other funds (internal balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ (528)	\$ -	\$ 642	\$ 114
Other governmental	528	508,924	37,212	546,664
Total governmental activities:	<u>\$ -</u>	<u>\$ 508,924</u>	<u>\$ 37,854</u>	<u>\$ 546,778</u>
Business-type activities				
School Food Service	\$ 2,070	\$ 27,351	\$ 509	\$ 29,930
Child Care	(2,070)	986	3,294	2,210
	<u>\$ -</u>	<u>\$ 28,337</u>	<u>\$ 3,803</u>	<u>\$ 32,140</u>

Internal balances consist of cost due to the General Fund from the School Food Service Fund.

Due from other governments consists of the following:

Governmental activities:		
State Public School Fund	\$ 475,569	Operating revenues from DPI
Federal Grants Fund	33,355	Federal grants funds
Total governmental activities	<u>\$ 508,924</u>	
Business-type activities:		
School Food Service Fund	\$ 27,351	USDA reimbursement
Child Care Fund	986	CACFP
Total governmental activities	<u>\$ 28,337</u>	

**Gates County Board of Education, North Carolina**  
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**3. Capital Assets**

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 65,470	\$ -	\$ -	\$ 65,470
Total capital assets not being depreciated	65,470	-	-	65,470
<b>Capital assets being depreciated:</b>				
Buildings	29,612,142	7,100	-	29,619,242
Equipment and furniture	1,232,858	48,972	-	1,281,830
Land improvements	20,345	-	-	20,345
Vehicles	2,403,716	15,500	-	2,419,216
Total capital assets being depreciated	33,269,061	71,572	-	33,340,633
<b>Less accumulated depreciation for:</b>				
Buildings	9,776,979	652,078	-	10,429,057
Equipment and furniture	1,103,661	42,335	-	1,145,996
Land improvements	736	1,356	-	2,092
Vehicles	1,595,464	126,163	-	1,721,627
Total accumulated depreciation	12,476,840	821,932	-	13,298,772
Total capital assets being depreciated, net	20,792,221			20,041,861
<b>Governmental activity capital assets, net</b>	<b>\$ 20,857,691</b>			<b>\$ 20,107,331</b>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 543,639
Operational support services	278,293
<b>Total</b>	<b>\$ 821,932</b>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>School Food Service Fund:</b>				
<b>Capital assets being depreciated:</b>				
Food service equipment	\$ 331,276	\$ -	\$ -	\$ 331,276
Total capital assets being depreciated	331,276	-	-	331,276
<b>Less accumulated depreciation for:</b>				
Food service equipment	287,463	7,006	-	294,469
Total accumulated depreciation	287,463	7,006	-	294,469
<b>Business-type activities capital assets, net</b>	<b>\$ 43,813</b>			<b>\$ 36,807</b>

**Gates County Board of Education, North Carolina**  
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**B. Liabilities**

**1. Pensions Plan and Other Postemployment Obligations**

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

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

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

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

*Contributions.* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2021, was 14.78% 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 \$1,749,946 for the year ended June 30, 2021.

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*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, 2021, the Board reported a liability of \$9,057,873 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2021 and at June 30, 2020, the Board's proportion was .075% and .074%, respectively.

For the year ended June 30, 2021, the Board recognized pension expense of \$2,546,278. At June 30, 2021, 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
Differences between expected and actual experience	\$ 499,138	\$ -
Changes of assumptions	306,946	-
Net difference between projected and actual earnings on pension plan investments	1,001,708	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	39,054	29,019
Board contributions subsequent to the measurement date	1,749,946	-
	<u>\$ 3,596,792</u>	<u>\$ 29,019</u>

\$1,749,946 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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<b>Year ended June 30:</b>	
2022	\$ 612,561
2023	494,849
2023	412,000
2024	298,417
2024	-
Thereafter	-
	<u>\$ 1,817,827</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed Income	26.4%
Public Equity	32.7%
Cash and Receivables	13.4%
Real Estate, Alternatives, Inflation and Credit	27.5%
Total	<u>100.0%</u>

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The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. 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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Board's proportionate share of the net pension liability	\$16,302,044	\$9,057,873	\$ 2,981,513

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

**b. Other Post-Employment Benefits**

**1. Healthcare Benefits**

*Plan description.* The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

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

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

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

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's noncontributory premium.

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

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

*Contributions.* By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state-supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.68% of covered payroll which amounted to \$790,909.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources of Related to OPEB***

At June 30, 2021, Board reported a liability of \$17,935,332 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was

**Gates County Board of Education, North Carolina**  
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based on a projection of the Board's present value of future salary, actuarially determined. At December 31, 2020, the Board's proportion was 0.065%.

\$790,912 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30:</b>	
2022	\$ 2,698,543
2023	2,696,573
2024	1,257,526
2025	442,561
2026	511,530
Thereafter	-
	<u>\$ 7,606,733</u>

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

Inflation	3.0%
Salary increases	Teachers and Other Education Employees: 7.55% grading down to a 3.50% Law Enforcement Officers: 8.10% grading down to a 3.50% General Employees: 5.50% grading down to 3.50%
Discount rate	2.21% for fiscal 2020, 3.50% for fiscal 2019
Healthcare cost trend rates:	
Medical	6.50% grading down to 5.00% by 2024
Prescription Drug	9.50% grading down to 5.00% by 2029
Medicare Advantage	Rates are guaranteed for 2021-2025; 5.00% for years after 2026
Administrative Costs	3.0%
Mortality rates	RP-2014 Health Annuitant Mortality Table for males and females, adjusted for Collar for some Participants, further adjusted with scaling factors varying before and after age 78, and projected for mortality improvement using Scale MP-2015

*Discount rate.* The discount rate used to measure the total OPEB liability for the RHBF was 2.21%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.21 % was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.

*Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage point higher (3.21 percent) than the current discount rate:

**Gates County Board of Education, North Carolina**  
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	<b>1% Decrease (1.21%)</b>	<b>Discount Rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
Net OPEB liability	\$ 21,270,169	\$ 17,935,332	\$ 15,248,565

*Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare trend rates.* The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage point higher (3.21 percent) than the current discount rate:

<b>Healthcare Trend Rates</b>			
	<b>1% Decrease in Trend Rates</b>	<b>Current Trend Rates (6.5% Medical, 7.25% Rx, 3.00% Admin Expenses)</b>	<b>1% Increase in Trend Rates</b>
Net OPEB liability	\$ 14,459,121	\$ 17,935,332	\$ 22,581,757

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

**2. Disability Benefits**

*Plan description.* Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain Local Education Agencies, and ORP.

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

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

*Benefits Provided.* Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provide the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further

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performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

**Contributions.** Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2021, employers made a statutory contribution of 0.09% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$10,656 for the year ended June 30, 2021.

The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit.

***OPEB Assets, OPEB Expense, and Deferred Outflows and Inflows of Resources of Related to OPEB***

At June 30, 2021, Board reported an asset of \$32,266 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019. The total OPEB asset was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At December 31, 2020, the Board's proportion was 0.066%.

\$10,656 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30:</b>	
2022	\$ 6,673
2023	4,478
2024	2,247
2025	3,668
2026	281
Thereafter	889
	<u>\$ 18,236</u>

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

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including 3.5% inflation and productivity factor
Investment rate of return	3.75 percent, net of OPEB plan investment expense, including inflation

**Gates County Board of Education, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

*Sensitivity of the Board's proportionate share of the net OPEB asset to changes in the discount rate.* The following presents the Board's proportionate share of the net OPEB asset, as well as what the District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage point higher (4.75 percent) than the current discount rate:

	<b>1% Decrease (2.75%)</b>	<b>Discount Rate (3.75%)</b>	<b>1% Increase (4.75%)</b>
Net OPEB asset	\$ 27,866	\$ 32,266	\$ 36,538

*Common actuarial assumptions for both OPEB plans.* The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2019 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2020. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The mortality rates also contain a provision to reflect future mortality improvements. The actuarial assumptions were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>
Fixed Income	92.6%
Public Equity	0.0%
Cash and Receivables	7.4%
Real Estate, Alternatives, Inflation and Credit	0.0%
Total	100.0%

**Total OPEB Expense, OPEB Liabilities, and Deferred Outflows and Inflows of Resources of Related to OPEB**

Following is information related to the proportionate share and pension expense:

**Gates County Board of Education, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

	RHBFB	DIPNC	Total
OPEB Expense	\$ (664,033)	\$ 25,107	\$ (638,926)
OPEB Liability (Asset)	17,935,332	32,266	17,967,598
Proportionate Share of the net OPEB liability (asset)	0.06465%	0.06559%	
Deferred Outflows of Resources:			
Differences between expected and actual experience	16,248	23,374	39,622
Changes of assumptions	786,567	2,509	789,076
Net difference between projected and actual earnings on plan investments	37,783	-	37,783
Changes in proportion and differences between Board contributions and proportionate share of contributions	444,975	782	445,757
Board contributions subsequent to the measurement date	790,912	10,656	801,568
Deferred Inflows of Resources:			
Differences between expected and actual experience	701,652	-	701,652
Changes of assumptions	7,278,441	2,541	7,280,982
Net difference between projected and actual earnings on plan investments	-	5,466	5,466
Changes in proportion and differences between Board contributions and proportionate share of contributions	912,213	421	912,634

3. Accounts Payable

Accounts payable as of June 30, 2021, are as follows:

	Due from other funds (internal balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ (528)	\$ -	\$ 642	\$ 114
Other governmental	528	508,924	37,212	546,664
Total governmental activities:	\$ -	\$ 508,924	\$ 37,854	\$ 546,778
Business-type activities				
School Food Service	\$ 2,070	\$ 27,351	\$ 509	\$ 29,930
Child Care	(2,070)	986	3,294	2,210
	\$ -	\$ 28,337	\$ 3,803	\$ 32,140

**Gates County Board of Education, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

4. Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 538,760	\$ 701,652
Changes of assumptions	1,096,022	7,280,982
Net difference between projected and actual earnings on pension plan investments	1,039,491	5,466
Changes in proportion and differences between Board contributions and proportionate share of contributions	484,811	941,653
Board contributions subsequent to the measurement date	2,551,517	-
	<u>\$ 5,710,601</u>	<u>\$ 8,929,753</u>

5. Risk Management

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

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

**Gates County Board of Education, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

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In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time of the Board's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees who have access to funds are bonded for either \$5,000 or \$10,000.

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

6. Long-Term Obligations

a. Installment Purchases

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 2018, the Board entered into an installment purchase contract to finance the purchase of three school buses for \$259,173. The financing contract requires only principal payments of \$64,793 annually. Payments totaling \$64,793 were made in fiscal year 2021, and the contract was paid in full.

In February 2019, the Board entered into an installment purchase contract to finance the purchase of one school bus for \$84,641. The financing contract requires only principal payments of \$21,161 annually. Payments totaling \$21,160 were made in fiscal year 2021.

The future minimum payments of installment purchases as of June 30, 2021, including \$727 implied interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2022	\$ 21,160	\$ 727
2023	-	-
2024	-	-
2025	-	-
2026	-	-
Thereafter	-	-
Total	<u>\$ 21,160</u>	<u>\$ 727</u>

**Gates County Board of Education, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

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, 2021:

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion
<i>Governmental activities:</i>					
Installment purchases	\$ 107,113	\$ -	\$ 85,953	\$ 21,160	\$ 21,160
Net pension liability	7,373,644	1,321,915	-	8,695,559	-
Net OPEB liability	19,298,851	-	2,080,931	17,217,920	-
Compensated absences	1,236,078	708,551	896,717	1,047,912	705,818
Total	<u>\$ 28,015,686</u>	<u>\$ 2,030,466</u>	<u>\$ 3,063,601</u>	<u>\$ 26,982,551</u>	<u>\$ 726,978</u>
<i>Business-type activities:</i>					
Net pension liability	\$ 307,234	\$ 55,080	\$ -	\$ 362,314	\$ -
Net OPEB liability	804,118	-	86,526	717,592	-
Compensated absences	38,787	19,351	17,925	40,213	28,749
	<u>\$ 1,150,139</u>	<u>\$ 74,431</u>	<u>\$ 104,451</u>	<u>\$ 1,120,119</u>	<u>\$ 28,749</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, 2021, consist of the following:

	Amount
From the State Public School Fund to the School Food Service Fund for salaries	\$ 49,674
From the General Fund to the School Food Service Fund for salaries	21,892
From the Other Special Revenue Fund to the School Food Service Fund for salaries	3,738
From the Federal Grants Fund to the School Food Service Fund for COVID-19 supplementary pay	20,252
	<u>\$ 95,556</u>

**Gates County Board of Education, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

d. Fund Balance

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

<b>Total fund balance - General Fund</b>	<b>\$ 1,247,425</b>
Less:	
Stabilization for State Statute	642
Subsequent years expenditures	424,100
<b>Remaining Fund Balance</b>	<b>\$ 822,683</b>
<b>Total fund balance - Other Specifice Revenue Fund</b>	<b>\$ 134,676</b>
Less:	
Stabilization for State Statute	37,212
Committed for Community Center	25,381
Committed for Grants	28,327
Committed for Medicaid	26,573
Subsequent years expenditures	-
<b>Remaining Fund Balance</b>	<b>\$ 17,183</b>

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

V. Subsequent Events

The Board has evaluated subsequent events though October 25, 2021, the date on which the financial statements were available to be issued, and has determined that there are no disclosures or adjustments necessary in the accompanying financial statements relating to subsequent events.

## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

- Schedule of Proportionate Share of the Net Pension Liability for Teachers' and State Employees' Retirement System
- Schedule of Board Contributions to Teachers' and State Employees' Retirement System
- Schedule of Proportionate Share of the Net OPEB Liability for Retiree Health Benefit Fund
- Schedule of Board Contributions to Retiree Health Benefit Fund
- Schedule of Proportionate Share of the Net OPEB Asset for Disability Income Plan of North Carolina
- Schedule of Board Contributions to Disability Income Plan of North Carolina

**Gates County Board of Education, North Carolina**  
**Schedules of Required Supplementary Information**  
**Schedule of the Board's Proportionate Share of the Net Pension Liability**  
**Teachers' and State Employees' Retirement System**  
**Last Eight Fiscal Years**

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

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,749,946	\$ 1,509,657	\$ 1,418,472	\$ 1,180,290	\$ 1,081,892	\$ 950,621	\$ 1,018,622	\$ 904,029
Contributions in relation to the contractually required contribution	1,749,946	1,509,657	1,418,472	1,180,290	1,081,892	950,621	1,018,622	904,029
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 11,839,958	\$ 11,639,609	\$ 11,541,678	\$ 10,948,882	\$ 10,840,597	\$ 10,389,300	\$ 11,132,481	\$ 10,403,098
Contributions as a percentage of covered-employee payroll	14.78%	12.97%	12.29%	10.78%	9.98%	9.15%	9.15%	8.69%

**Gates County Board of Education, North Carolina**  
**Schedules of Required Supplementary Information**  
**Schedule of the Board's Proportionate Share of the Net OPEB Liability**  
**Retiree Health Benefit Fund**  
**Last Five Fiscal Years**

	2021	2020	2019	2018	2017
Board's proportion of the net OPEB liability (asset)	0.065%	0.064%	0.065%	0.067%	0.067%
Board's proportionate share of the net OPEB liability (asset)	\$ 17,935,332	\$ 20,102,969	\$ 18,585,644	\$ 22,044,368	\$ 29,058,318
Board's covered-employee payroll	\$ 11,639,609	\$ 11,541,678	\$ 10,948,882	\$ 10,840,597	\$ 11,486,641
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	154.09%	174.18%	169.75%	203.35%	252.97%
Plan fiduciary net position as a percentage of the total OPEB liability	6.92%	4.40%	3.52%	3.52%	2.41%

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

**Gates County Board of Education, North Carolina**  
**Schedules of Required Supplementary Information**  
**Schedule of Board Contributions**  
**Retiree Health Benefit Fund**  
**Last Five Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 790,909	\$ 753,083	\$ 723,663	\$ 662,407	\$ 630,166
Contributions in relation to the contractually required contribution	790,909	753,083	723,663	662,407	630,166
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 11,839,958	\$ 11,639,609	\$ 11,541,678	\$ 10,948,882	\$ 10,840,597
Contributions as a percentage of covered-employee payroll	6.68%	6.47%	6.27%	6.05%	5.81%

**Gates County Board of Education, North Carolina**  
**Schedules of Required Supplementary Information**  
**Schedule of the Board's Proportionate Share of the Net OPEB Asset**  
**Disability Income Plan of North Carolina**  
**Last Five Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB asset	0.066%	0.065%	0.065%	0.066%	0.069%
Board's proportionate share of the net OPEB asset	\$ 32,266	\$ 28,117	\$ 19,793	\$ 40,486	\$ 43,122
Board's covered-employee payroll	\$ 11,639,609	\$ 11,541,678	\$ 10,948,882	\$ 10,840,597	\$ 11,486,641
Board's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll	0.28%	0.24%	0.18%	0.37%	0.38%
Plan fiduciary net position as a percentage of the total OPEB asset	115.57%	113.00%	108.47%	116.23%	116.06%

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

**Gates County Board of Education, North Carolina**  
**Schedules of Required Supplementary Information**  
**Schedule of Board Contributions**  
**Disability Income Plan of North Carolina**  
**Last Five Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 10,656	\$ 11,640	\$ 16,158	\$ 15,328	\$ 41,194
Contributions in relation to the contractually required contribution	<u>10,656</u>	<u>11,640</u>	<u>16,158</u>	<u>15,328</u>	<u>41,194</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 11,839,958	\$ 11,639,609	\$ 11,541,678	\$ 10,948,882	\$ 10,840,597
Contributions as a percentage of covered-employee payroll	0.09%	0.10%	0.14%	0.14%	0.38%

**COMBINING AND INDIVIDUAL  
STATEMENTS AND SCHEDULES**

**Gates County Board of Education, North Carolina**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2021**

	<b>2021</b>		<b>Variance</b>
	<b>Budget</b>	<b>Actual</b>	<b>Positive (Negative)</b>
<b>Revenues</b>			
Gates County:			
Appropriation from county	\$ 2,888,000	\$ 2,888,000	\$ -
Other:			
Fines and forfeitures	24,236	24,428	192
	<u>24,236</u>	<u>24,428</u>	<u>192</u>
<b>Total revenues</b>	<u>2,912,236</u>	<u>2,912,428</u>	<u>192</u>
<b>Expenditures:</b>			
Instructional services			
Regular instructional	421,037	401,821	19,216
Special populations	120,428	120,956	(528)
Alternative programs	48,395	48,395	-
School leadership	22,275	21,065	1,210
Co-curricular	126,382	118,140	8,242
School-based support	89,567	88,068	1,499
Total	<u>828,084</u>	<u>798,445</u>	<u>29,639</u>
System-wide support services			
Support and development	11,975	11,975	-
Special populations support			
and development	71,157	71,157	-
Technology support	108,145	108,145	-
Operational support	1,395,240	1,386,651	8,589
Financial and human resources	180,397	178,615	1,782
Accountability	55,782	54,582	1,200
Policy, leadership, and public relations	210,795	141,281	69,514
Total	<u>2,033,491</u>	<u>1,952,406</u>	<u>81,085</u>
Ancillary services	<u>4,258</u>	<u>-</u>	<u>4,258</u>
Non-programmed charges	<u>28,769</u>	<u>28,769</u>	<u>-</u>
<b>Total expenditures</b>	<u>2,894,602</u>	<u>2,779,620</u>	<u>114,982</u>
Excess of revenues over expenditures	<u>17,634</u>	<u>132,808</u>	<u>115,174</u>
<b>Other financing sources (uses):</b>			
Operating transfer in (out)	(17,634)	(21,892)	(4,258)
Total	<u>(17,634)</u>	<u>(21,892)</u>	<u>(4,258)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>110,916</u>	<u>\$ 110,916</u>
<b>Fund balance, beginning</b>		<u>1,136,509</u>	
<b>Fund balance, ending</b>		<u>\$ 1,247,425</u>	

**Gates County Board of Education, North Carolina**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**June 30, 2021**

	<u>Special Revenue Funds</u>					
	<u>Federal Grants</u>	<u>Other Special Revenue</u>	<u>Individual Schools</u>	<u>Total Special Revenue Funds</u>	<u>Capital Outlay</u>	<u>Total Non-major Governmental Funds</u>
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 22,371	\$ 108,469	\$ 181,904	\$ 312,744	\$ 176,369	\$ 489,113
Accounts receivable	-	37,212	-	37,212	-	37,212
Due from other governments	33,355	-	-	33,355	-	33,355
Total current assets	<u>\$ 55,726</u>	<u>\$ 145,681</u>	<u>\$ 181,904</u>	<u>\$ 383,311</u>	<u>\$ 176,369</u>	<u>\$ 559,680</u>
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Accounts payable	\$ -	2,525	\$ -	\$ 2,525	\$ -	\$ 2,525
Accrued salaries and wages payable	33,355	8,480	-	41,835	-	41,835
Due to other governments	22,371	-	-	22,371	-	22,371
Total liabilities	<u>55,726</u>	<u>11,005</u>	<u>-</u>	<u>66,731</u>	<u>-</u>	<u>66,731</u>
<b>Fund balances:</b>						
<b>Restricted:</b>						
Stabilization by State Statute	-	37,212	-	37,212	-	37,212
School Capital Outlay	-	-	-	-	176,369	176,369
Individual Schools	-	-	181,904	181,904	-	181,904
Committed by Board	-	80,281	-	80,281	-	80,281
<b>Assigned:</b>						
Subsequent Years Expenditures	-	-	-	-	-	-
Unassigned	-	17,183	-	17,183	-	17,183
Total fund balance	<u>-</u>	<u>134,676</u>	<u>181,904</u>	<u>316,580</u>	<u>176,369</u>	<u>492,949</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 55,726</u>	<u>\$ 145,681</u>	<u>\$ 181,904</u>	<u>\$ 383,311</u>	<u>\$ 176,369</u>	<u>\$ 559,680</u>

**Gates County Board of Education, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**For the Year Ended June 30, 2021**

	<b>Special Revenue Funds</b>					
	<b>Federal Grants</b>	<b>Other Special Revenue</b>	<b>Individual Schools</b>	<b>Total Special Revenue Funds</b>	<b>Capital Outlay</b>	<b>Total Non-major Governmental Funds</b>
<b>Revenues</b>						
Gates County:						
County appropriation	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ 200,000
Community Center appropriation	-	231,575	-	231,575	-	231,575
Total Gates County	-	231,575	-	231,575	200,000	431,575
U. S. Government	1,615,535	50,550	-	1,666,085	-	1,666,085
State of North Carolina:						
Appropriation for buses	-	-	-	-	85,953	85,953
Other	-	381,994	-	381,994	14,865	396,859
Total State of North Carolina	-	381,994	-	381,994	100,818	482,812
Contributions and donations	-	10,498	19,478	29,976	-	29,976
Other:						
Interest income	-	908	-	908	85	993
Sales and use tax refund	-	15,493	-	15,493	1,548	17,041
Other grants	-	69,553	-	69,553	-	69,553
Medicaid reimbursements for services	-	193,075	-	193,075	-	193,075
Indirect cost allocation	-	57,521	-	57,521	-	57,521
Miscellaneous revenue	-	32,063	1,482	33,545	-	33,545
Activity bus	-	37,334	-	37,334	-	37,334
Rental of school property	-	4,500	-	4,500	-	4,500
Tuition and fees	-	68,095	-	68,095	-	68,095
Sale of fixed assets	-	1,000	-	1,000	-	1,000
Clubs and organizations	-	-	41,342	41,342	-	41,342
Fundraisers	-	-	27,281	27,281	-	27,281
Athletics	-	-	46,893	46,893	-	46,893
Total other	-	479,542	116,998	596,540	1,633	598,173

**Gates County Board of Education, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**For the Year Ended June 30, 2021**

	<b>Special Revenue Funds</b>					
	<b>Federal Grants</b>	<b>Other Special Revenue</b>	<b>Individual Schools</b>	<b>Total Special Revenue Funds</b>	<b>Capital Outlay</b>	<b>Total Non-major Governmental Funds</b>
<b>Total revenues</b>	1,615,535	1,154,159	136,476	2,906,170	302,451	3,208,621
<b>Expenditures:</b>						
Instructional services						
Regular instructional	385,702	66,740	-	452,442	-	452,442
Special populations	523,800	213,698	-	737,498	-	737,498
Alternative programs	358,886	253,701	-	612,587	-	612,587
School leadership	21,986	38,662	-	60,648	-	60,648
Co-curricular	-	3,104	-	3,104	-	3,104
School-based support	92,843	166,038	131,536	390,417	-	390,417
Total	1,383,217	741,943	131,536	2,256,696	-	2,256,696
System-wide support services						
Support and development	19,399	129	-	19,528	-	19,528
Special populations support and development	3,233	1,229	-	4,462	-	4,462
Alternative programs and services support and development	16,158	-	-	16,158	-	16,158
Technology support	6,467	5,321	-	11,788	-	11,788
Operational support	60,437	118,369	-	178,806	-	178,806
Financial and human resources	31,129	2,106	-	33,235	-	33,235
Accountability	-	1,099	-	1,099	-	1,099
System-wide pupil support	-	1,099	-	1,099	-	1,099
Policy, leadership, and public relations	7,213	48,675	-	55,888	-	55,888
Total	144,036	178,027	-	322,063	-	322,063
Ancillary services	10,989	293,142	-	304,131	-	304,131
Non-programmed charges	57,041	1,040	-	58,081	-	58,081

**Gates County Board of Education, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**For the Year Ended June 30, 2021**

	<b>Special Revenue Funds</b>				
	<b>Federal Grants</b>	<b>Other Special Revenue</b>	<b>Individual Schools</b>	<b>Total Special Revenue Funds</b>	<b>Total Non-major Governmental Funds</b>
Capital outlay:					
Real property and buildings	-	-	-	-	36,648
Furniture and equipment	-	-	-	-	24,570
Buses and motor vehicles	-	-	-	-	21,741
Total	-	-	-	-	82,959
Debt service	-	-	-	-	85,953
<b>Total expenditures</b>	<b>1,595,283</b>	<b>1,214,152</b>	<b>131,536</b>	<b>2,940,971</b>	<b>3,109,883</b>
Excess of revenues over (under) expenditures	20,252	(59,993)	4,940	(34,801)	98,738
<b>Other financing sources (uses):</b>					
Installment purchase obligation issued	-	-	-	-	-
Capital contribution	-	-	-	-	-
Transfers to other funds	(20,252)	(3,738)	-	(23,990)	(23,990)
Total other financing sources (uses)	(20,252)	(3,738)	-	(23,990)	(23,990)
Net change in fund balances	-	(63,731)	4,940	(58,791)	74,748
Fund balances, beginning	-	198,407	176,964	375,371	418,201
Fund balances, ending	\$ -	\$ 134,676	\$ 181,904	\$ 316,580	\$ 492,949

**Gates County Board of Education, North Carolina**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Federal Grants Fund**  
**For the Year Ended June 30, 2021**

	2021		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues</b>			
U. S. Government	\$ 5,670,663	\$ 1,615,535	\$ (4,055,128)
<b>Expenditures:</b>			
Instructional services			
Regular instructional	2,173,690	385,702	1,787,988
Special populations	779,657	523,800	255,857
Alternative programs	766,375	358,886	407,489
School leadership	21,986	21,986	-
School-based support	463,734	92,843	370,891
Total	4,205,442	1,383,217	2,822,225
System-wide support services			
Support and development	37,132	19,399	17,733
Special populations support and development	3,233	3,233	-
Alternative programs and services support and development	27,202	16,158	11,044
Technology support	441,567	6,467	435,100.00
Operational support	609,678	60,437	549,241
Financial and human resources	36,791	31,129	5,662
Policy, leadership, and public relations	27,259	7,213	20,046
Total	1,182,862	144,036	1,038,826
Ancillary services	31,241	10,989	20,252
Non-programmed charges	251,118	57,041	194,077
Total expenditures	5,670,663	1,595,283	4,075,380
Excess of revenues over (under) expenditures	-	20,252	20,252
<b>Other financing sources</b>			
Transfers to other funds	-	(20,252)	(20,252)
Total	-	(20,252)	(20,252)
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund balance, beginning</b>		-	
<b>Fund balance, ending</b>		<u>\$ -</u>	

**Gates County Board of Education, North Carolina  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Other Specific Revenue Fund  
For the Year Ended June 30, 2021**

	<b>2021</b>		<b>Variance Positive (Negative)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Revenues</b>			
State of North Carolina	\$ 394,540	\$ 381,994	\$ (12,546)
U.S. Government	51,000	50,550	(450)
Gates County:			
Community Center appropriation	231,575	231,575	-
Other:			
Indirect cost allocation	57,521	57,521	-
Interest earned on investments	1,001	908	(93)
Miscellaneous revenue	72,886	32,063	(40,823)
Rental of school property	4,500	4,500	-
Activity bus	36,390	37,334	944
Medicaid reimbursements for services	193,075	193,075	-
Other grants	69,553	69,553	-
Sales tax	15,493	15,493	-
Contributions	10,498	10,498	-
Proceeds from sale of fixed assets	1,000	1,000	-
Tuition and fees	68,075	68,095	20
Total other	529,992	490,040	(39,952)
<b>Total revenues</b>	<b>1,207,107</b>	<b>1,154,159</b>	<b>(52,948)</b>
<b>Expenditures:</b>			
Instructional services			
Regular instructional	67,190	66,740	450
Special populations	245,268	213,698	31,570
Alternative programs	259,647	253,701	5,946
School leadership	38,662	38,662	-
Co-curricular	3,104	3,104	-
School-based support	166,038	166,038	-
Total	779,909	741,943	37,966

**Gates County Board of Education, North Carolina**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Other Specific Revenue Fund**  
**For the Year Ended June 30, 2021**

	<b>2021</b>		<b>Variance</b>
	<b>Budget</b>	<b>Actual</b>	<b>Positive (Negative)</b>
System-wide support services			
Support and development	129	129	-
Special populations support and development	1,229	1,229	-
Technology support	5,321	5,321	-
Operational support	121,859	118,369	3,490
Financial and human resources	2,106	2,106	-
Accountability	1,099	1,099	-
System-wide pupil support	1,099	1,099	-
Policy, leadership, and public relations	48,675	48,675	-
Total	<u>181,517</u>	<u>178,027</u>	<u>3,490</u>
Ancillary services	<u>296,958</u>	<u>293,142</u>	<u>3,816</u>
Non-programmed charges	-	1,040	(1,040)
<b>Total expenditures</b>	<u>1,258,384</u>	<u>1,214,152</u>	<u>44,232</u>
Excess of revenues over expenditures	<u>(51,277)</u>	<u>(59,993)</u>	<u>8,716</u>
<b>Other financing sources (uses)</b>			
Fund balance appropriated	51,277	-	51,277
Transfer from (to) other funds	-	(3,738)	3,738
Total	<u>51,277</u>	<u>(3,738)</u>	<u>55,015</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>(63,731)</u>	<u>\$ (63,731)</u>
<b>Fund balance, beginning</b>		<u>198,407</u>	
<b>Fund balance, ending</b>		<u>\$ 134,676</u>	

**Gates County Board of Education, North Carolina**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Capital Outlay Fund**  
**For the Year Ended June 30, 2021**

	2021		Variance
	Budget	Actual	Positive (Negative)
<b>Revenues</b>			
Gates County:			
Appropriation from county	\$ 200,000	\$ 200,000	\$ -
Total Gates County	200,000	200,000	-
State of North Carolina:			
State appropriations-buses	85,953	85,953	-
NC Schools Go Outside Grant	14,865	14,865	-
	100,818	100,818	-
Other:			
Interest earned on investments	90	85	(5)
Sales tax refund	1,548	1,548	-
Total other	1,638	1,633	(5)
<b>Total revenues</b>	302,456	302,451	(5)
<b>Expenditures:</b>			
Capital Outlay:			
Land and buildings	149,952	36,648	113,304
Furniture and equipment	44,810	24,570	20,240
Vehicles	21,741	21,741	-
Debt service:			
Principal	85,953	85,953	-
Interest	-	-	-
<b>Total expenditures</b>	302,456	168,912	133,544
Excess of revenues over expenditures	-	133,539	(133,539)
<b>Other financing sources</b>			
Fund balance appropriated	-	-	-
Total	-	-	-
<b>Net change in fund balance</b>	\$ -	133,539	\$ 133,539
<b>Fund balance, beginning</b>		42,830	
<b>Fund balance, ending</b>		\$ 176,369	

**Gates County Board of Education, North Carolina**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**School Food Service Fund**  
**For the Year Ended June 30, 2021**

	<b>2021</b>		<b>Variance</b>
	<b>Budget</b>	<b>Actual</b>	<b>Positive (Negative)</b>
Operating revenues, food sales	\$ 23,369	\$ 22,718	\$ (651)
Operating expenditures:			
Business support services:			
Purchase of food	-	197,274	-
Donated commodities	-	66,444	-
Salaries and benefits	-	470,493	-
Materials and supplies	-	40,939	-
Contracted services	-	9,538	-
Travel	-	1,056	-
Utilities	-	4,670	-
Other	-	837	-
Total operating expenditures	<u>865,757</u>	<u>791,251</u>	<u>74,506</u>
Operating loss	<u>(842,388)</u>	<u>(768,533)</u>	<u>73,855</u>
Nonoperating revenues (expenditures):			
Federal reimbursements	719,999	673,860	(46,139)
Federal commodities	65,000	66,444	1,444
Sales tax refund	318	318	-
Interest earned	14	14	-
OPEB non-capital contributions	-	9,219	9,219
Depreciation expense	(11,000)	-	11,000
Total nonoperating revenues (expenditures)	<u>774,331</u>	<u>749,855</u>	<u>(24,476)</u>
Excess of revenues over (under) expenditures before other financing sources	<u>(68,057)</u>	<u>(18,678)</u>	<u>49,379</u>
Other financing sources:			
Transfer from other funds	<u>68,057</u>	<u>95,556</u>	<u>27,499</u>
Total other financing sources	<u>68,057</u>	<u>95,556</u>	<u>27,499</u>
Excess of revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>76,878</u>	<u>\$ 76,878</u>
Reconciliation of modified accrual to full accrual:			
Reconciling items:			
Depreciation		(7,006)	
Net OPEB asset		124	
Net pension liability		(41,310)	
Net OPEB liability		65,029	
Deferred outflows		21,555	
Deferred inflows		(16,854)	
Increase in inventory		19,592	
Decrease in accrued vacation pay		13,605	
Change in net position (full accrual)		<u>\$ 131,613</u>	

**Gates County Board of Education, North Carolina**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**Child Care Fund**  
**For the Year Ended June 30, 2021**

	<b>2021</b>		<b>Variance</b>
	<b>Budget</b>	<b>Actual</b>	<b>Positive (Negative)</b>
Operating revenues:			
Child care fees	\$ 270,600	\$ 263,624	\$ (6,976)
Other operating revenues	762	762	-
Total operating revenues	<u>271,362</u>	<u>264,386</u>	<u>(6,976)</u>
Operating expenditures:			
Regular community service:			
Salaries and benefits	265,560	268,633	(3,073)
Purchase of food	35,413	24,800	10,613
Materials and supplies	3,000	2,077	923
Travel	300	292	8
Other	120	120	-
Total operating expenditures	<u>304,393</u>	<u>295,922</u>	<u>8,471</u>
Operating loss	<u>(33,031)</u>	<u>(31,536)</u>	<u>1,495</u>
Nonoperating revenues:			
DHHS-COVID-19 Bonus Reimbursements	11,027	11,027	-
DHHS-COVID-19 Operational Grant	22,004	22,004	-
Total nonoperating revenues	<u>33,031</u>	<u>33,031</u>	<u>-</u>
Excess of revenues over (under) expenditures before other financing sources	<u>-</u>	<u>1,495</u>	<u>1,495</u>
Other financing sources:			
Transfer from other funds	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>1,495</u>	<u>\$ 1,495</u>
Reconciliation of modified accrual to full accrual:			
Reconciling items:			
Net OPEB asset		42	
Net pension liability		(13,771)	
Net OPEB liability		21,676	
Deferred outflows		7,185	
Deferred inflows		(5,617)	
Bad Debt expense		(179)	
OPEB non-capital contributions		3,073	
Increase in accrued vacation pay		(15,031)	
Change in net position (full accrual)		<u>\$ (1,127)</u>	

## **COMPLIANCE SECTION**

# DONNA H. WINBORNE

CPA, P.C.  
C E R T I F I E D   P U B L I C   A C C O U N T A N T

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education  
Gates County, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gates County Board of Education, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Gates County Board of Education's basic financial statements, and have issued my report thereon dated October 25, 2021.

### Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Gates County Board of Education's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gates County Board of Education's internal control. Accordingly, I do not express an opinion on the effectiveness of Gates County Board of Education'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.

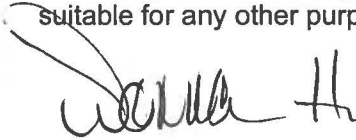
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gates County Board of Education's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

 Sandra H. Wimburne, CPA, P.C.

Edenton, North Carolina

October 25, 2021

# DONNA H. WINBORNE CPA, P.C.

## CERTIFIED PUBLIC ACCOUNTANT

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

To the Board of Education  
Gates County, North Carolina

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

I have audited Gates County Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Gates County Board of Education's major federal programs for the year ended June 30, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

My responsibility is to express an opinion on compliance for each of Gates County Board of Education's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Act. Those standards, the Uniform Guidance, and the State Single Audit Act require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gates County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### **Opinion on Each Major Federal Program**

In my opinion, Gates County Board of Education, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

#### **Report on Internal Control over Compliance**

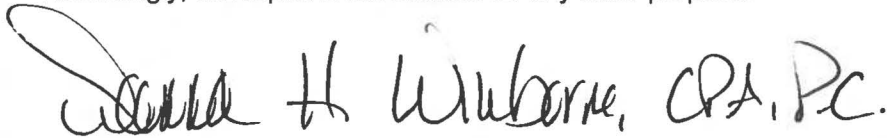
Management of Gates County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Gates County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Act, 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 Gates County Board of Education'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 a 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 material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

A handwritten signature in black ink, reading "Sandra H. Winkler, CPA, PC." The signature is written in a cursive, flowing style.

Edenton, North Carolina  
October 25, 2021

# DONNA H. WINBORNE

CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

To the Board of Education  
Gates County, North Carolina

### Report on Compliance for Each Major State Program

I have audited Gates County Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Gates County Board of Education's major state programs for the year ended June 30, 2021. Gates County Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

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

#### Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Gates County Board of Education's major state programs based on my audit of the types of compliance requirements referred to above. I conducted 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Act. Those standards, the Uniform Guidance, and the State Single Audit Act require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Gates County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### Opinion on Each Major State Program

In my opinion, Gates County Board of Education, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

### Report on Internal Control over Compliance

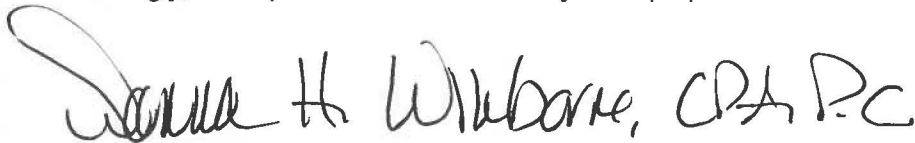
Management of Gates County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Gates County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Act, 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 Gates County Board of Education'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 a 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 material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

A handwritten signature in black ink, reading "Jennifer H. Wilborne, CPA P.C." The signature is written in a cursive, flowing style.

Edenton, North Carolina  
October 25, 2021

**Gates County Board of Education, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2021**

**Section I. Summary of Auditor's Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant Deficiency(ies) identified ☐ yes ☒ none reported

Noncompliance material to financial statements noted ☐ yes ☒ no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant Deficiency(ies) identified ☐ yes ☒ none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) ☐ yes ☒ no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund
84.425, 84.425C, 84.425D	Education Stabilization Relief Fund
84.027, 84.173	Special Education Cluster

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

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

Gates County Board of Education, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

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

**State Awards**

Internal control over major State programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant Deficiency(ies) identified ☐ yes ☒ none reported

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

Any audit findings disclosed that are required  
to be reported in accordance with the State  
Single Audit Implementation Act ☐ yes ☒ no

Identification of major State programs:

Program Name  
State Public School Fund

**Section II. Financial Statement Findings**

None noted

**Section III. Federal Award Findings and Questioned Costs**

None noted

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

None noted

**Gates County Board of Education, North Carolina  
Corrective Action Plan  
For the Year Ended June 30, 2021**

No Corrective Action Plan required.

**Gates County Board of Education, North Carolina  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2021**

**Finding: 2020-001**

Status: This finding was corrected.

**Finding: 2020-002**

Status: This finding was corrected.

**Finding: 2020-003**

Status: This finding was corrected.

**Finding: 2020-004**

Status: This finding was corrected.

**Gates County Board of Education, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2021**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
<b>Federal Grants:</b>			
<u>U.S. Department of Treasurer</u>			
Passed-through the N.C. Department of Public Instruction:			
Coronavirus Relief Fund			
Summer Learning	21.019	PRC 121	\$ 86,365
School Health Support Personnel	21.019	PRC 122	10,802
Remote Instruction	21.019	PRC 123	3,296
Personnel Computers & Devices	21.019	PRC 126	29,420
Connectivity Student Mobile Internet Access	21.019	PRC 128	31,769
Exceptional Children Extended School Year Grant	21.019	PRC 132	51,970
Low Wealth Counties Supplemental Funding	21.019	PRC 134	64,519
Cybersecurity	21.019	PRC 135	3,573
Personal Protective Equipment	21.019	PRC 137	15,550
Total Coronavirus Relief Fund			<u>297,264</u>
Total U. S. Department of Treasurer			<u>297,264</u>
<u>U.S. Department of Agriculture</u>			
School Nutrition Program (Note 3)			
<u>Child Nutrition Cluster:</u>			
Non-Cash Assistance (Commodities)			
Passed-through the N.C. Department of Agriculture:			
National School Lunch Program	10.555	PRC 035	<u>66,444</u>
Non-Cash Assistance			<u>66,444</u>
Cash Assistance			
Passed-through the N.C. Department of Public Instruction:			
Summer Good Service Program - COVID-19 - Unanticipated School Closures	10.559	PRC 050	<u>673,860</u>
Total Cash Assistance			<u>673,860</u>
Total Child Nutrition Cluster:			<u>740,304</u>
Total School Nutrition Program (Note 3)			<u>740,304</u>
Total U. S. Department of Agriculture			<u>740,304</u>
<u>U.S. Department of Education</u>			
Cash Assistance			
Passed-through the N.C. Department of Public Instruction:			
Title I Grants to Local Education Agencies (Title I, Part A of ESEA)	84.010	PRC 050	347,876
Title I Grants to Local Education Agencies	84.010	PRC 115	(14)
Total Title I Grants for Local Education Agencies (Title I)			<u>347,862</u>
Education Stabilization Fund			
CARES Act K-12 Emergency Relief	84.425	PRC 163	<u>236,187</u>
ESSERF - Learning Management System	84.425D	PRC 166	<u>2,618</u>
ESSERF - Exceptional Children Grants	84.425D	PRC 167	<u>12,023</u>
ESSER II - Supplemental K-12 Emergency Relief Fund	84.425C	PRC 171	<u>384,139</u>
Governor's Emergency Education Relief - Specialized Instructional Support Personnel for COVID-19 Response	84.425D	PRC 169	<u>50,489</u>
Governor's Emergency Education Relief - Supplemental Instructional Services	84.425D	PRC 170	<u>3,077</u>
ESSER II - Competency-Based Assessment	84.425D	PRC 178	<u>2,490</u>
<u>Special Education Cluster:</u>			
Special Education - Grants to States (IDEA, Part B) - Education of the Handicapped	84.027	PRC 060	411,891
IDEA - Children with Disabilities - Risk Pool	84.027	PRC 114	32,156
IDEA VI-B Special Needs Targeted Assistance	84.027	PRC 118	2,472
Special Education - Preschool Grants (IDEA Preschool) - Preschool Handicapped	84.173	PRC 049	25,674
IDEA - Targeted Assistance for Preschool Federal Grant	84.173	PRC 119	<u>7,173</u>
Total Special Education Cluster:			<u>479,366</u>

**Gates County Board of Education, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2021**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Special Education - Grants to States (IDEA, Part B) - Special Education State Improvement Grant	84.323	PRC 082	5,045
Career and Technical Education - Capacity Building Grant	84.048	PRC 017	27,101
Total Career and Technical Education - Basic Grants to States			27,101
Educational Technology - Competitive Grant	84.318	PRC 108	19,477
Northeast LEP Consortium	84.365A	PRC 104	408
Supporting Effective Instruction State Grants	84.367	PRC 103	40,878
Title IV - 21st Century Community Learning Centers	84.287	PRC 110	4,781
Gear Up Grant	84.334A		50,550
Total U. S. Department of Education			1,666,491
<u>U.S. Department of Health and Human Services</u>			
MIPPA Grant	93.071		6,523
Total U.S. Department of Health and Human Services			6,523
Total federal assistance			2,710,582
<b>State Grants:</b>			
Cash Assistance			
<u>N. C. Department of Public Instruction:</u>			
State Public School Fund			\$ 13,183,668
Driver Training - SPSF		PRC 012	26,402
School Technology Fund - SPSF		PRC 015	18
Vocational Education			
- State Months of Education		PRC 013	787,450
- Program Support Funds		PRC 014	76,164
NC Schools Go Outside Grant			14,625
<u>Passed-through Gates County:</u>			
Public School Building Capital Fund			
<u>N. C. Arts Council - Department of Cultural Resources:</u>			
Cultural Resources Grant			8,174
<u>N. C. Department of Health and Human Services:</u>			
School Nurse Grant			100,000
Division of Child Development and Early Education:			
NC Pre-Kindergarten Program			237,621
<u>Department of Juvenile Justice:</u>			
Passed-through Gates County:			
Juvenile Crime Prevention Program			40,495
Total State Assistance			14,474,617
Total federal and State Assistance			\$ 17,185,199

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Gates County Schools under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Gates County Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows of Gates County Schools.

2. Summary of Significant Accounting Policies

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

Gates County Schools has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

3. Cluster of Programs

The following are clustered by the NC Department of Public Instruction and are treated separately for state audit requirement purposes:

School Nutrition Program