

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

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

DRAFT

# GATES COUNTY BOARD OF EDUCATION, NORTH CAROLINA

List of Principal Officials  
June 30, 2020

## BOARD OF EDUCATION

Ray Felton, Chairman  
Glendale P. Boone, Vice-Chair  
Claire R. Whitehurst  
Leslie S. Byrum  
Sallie J. Ryan

## OFFICE OF THE SUPERINTENDENT

Dr. Phillip Barry Williams  
Superintendent  
Sandra Pittman  
Finance Officer

## 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

# DONNA H. WINBORNE

CPA, P.C.  
CERTIFIED PUBLIC ACCOUNTANT

## 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, North Carolina, as of and for the year then ended June 30, 2020, 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 the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Gates County Board of Education, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, State Public School Fund, and Other Specific Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10 and the Schedules 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 our inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

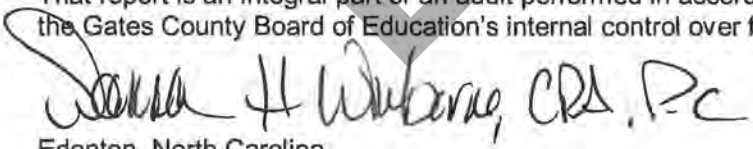
### ***Supplementary and Other Information***

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated December 29, 2020 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  
December 29, 2020

## 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, 2020. This information should be read in conjunction with the audited financial statements included in this report.

### ***Financial Highlights***

- Construction/renovation of Central Middle School has been completed and the Board continues to work diligently with the Gates County Board of Commissioners to address the continuing need for repairs and renovations at all schools.
- FY20 saw unprecedented events related to COVID-19 resulting in operational and budgetary adjustments.

### ***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 \$9,929,540 as of June 30, 2020. The largest component of net position is unrestricted net position of (\$31,241,484), 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	
	2020	2019	2020	2019	2020	2019
Current Assets	\$ 2,373,648	\$ 1,838,871	\$ 142,847	\$ 79,465	\$ 2,516,495	\$ 1,918,336
Capital Assets	20,857,691	15,694,582	43,813	52,421	20,901,504	15,747,003
Total Assets	23,231,339	17,533,453	186,660	131,886	23,417,999	17,665,339
Deferred Outflows of Resources	4,792,521	4,877,600	199,685	203,232	4,992,206	5,080,832
Current Liabilities	791,946	496,123	14,011	65,123	805,957	561,246
Long-Term Liabilities	28,015,686	26,276,800	1,150,139	1,081,476	29,165,825	27,358,276
Total Liabilities	28,807,632	26,772,923	1,164,150	1,146,599	29,971,782	27,919,522
Deferred Inflows of Resources	8,033,244	9,924,524	334,719	413,521	8,367,963	10,338,045
Net Investment in Capital Assets	20,750,578	15,418,208	43,813	52,421	20,794,391	15,470,629
Restricted Net Position	516,428	375,700	1,125	792	517,553	376,492
Unrestricted Net Position	(30,084,022)	(30,080,302)	(1,157,462)	(1,278,215)	(31,241,484)	(31,358,517)
Total Net Position	\$ (8,817,016)	\$ (14,286,394)	\$ (1,112,524)	\$ (1,225,002)	\$ (9,929,540)	\$ (15,511,396)

Note that net position increased during the year mainly due to new construction at Central Middle School. Also note that the Board carries capital assets for which Gates County carries the offsetting debt.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
<i>Program Revenues:</i>						
Charges for services	\$ 379,188	\$ 414,036	\$ 385,755	\$ 460,879	\$ 764,943	\$ 874,915
Operating grants and contributions	13,582,971	13,059,981	766,330	541,101	14,349,301	13,601,082
Capital grants and contributions	5,450	6,000	-	-	5,450	6,000
<i>General Revenues:</i>						
Other revenues	11,838,565	10,344,159	1,967	5,951	11,840,532	10,350,110
<b>Total Revenues</b>	<b>25,806,174</b>	<b>23,824,176</b>	<b>1,154,052</b>	<b>1,007,931</b>	<b>26,960,226</b>	<b>24,832,107</b>
<b>Expenses:</b>						
<i>Governmental activities:</i>						
Instructional services	14,311,567	13,425,473	-	-	14,311,567	13,425,473
System-wide support services	4,956,645	4,941,263	-	-	4,956,645	4,941,263
Ancillary services	312,679	283,096	-	-	312,679	283,096
Non-programmed charges	27,224	5,383	-	-	27,224	5,383
Depreciation	543,639	464,608	-	-	543,639	464,608
<i>Business-type activities:</i>						
Food service	-	-	948,874	874,586	948,874	874,586
Child Care	-	-	277,742	250,043	277,742	250,043
<b>Total Expenses</b>	<b>20,151,754</b>	<b>19,119,823</b>	<b>1,226,616</b>	<b>1,124,629</b>	<b>21,378,370</b>	<b>20,244,452</b>
Transfers in (out)	(185,042)	(48,570)	185,042	48,570	-	-
Increase (decrease) in net position	5,469,378	4,655,783	112,478	(68,128)	5,581,856	4,587,655
Net position, beginning	(14,286,394)	(18,942,177)	(1,225,002)	(1,156,874)	(15,511,396)	(20,099,051)
Net position, restatement	-	-	-	-	-	-
<b>Net position, ending</b>	<b>\$ (8,817,016)</b>	<b>\$ (14,286,394)</b>	<b>\$ (1,112,524)</b>	<b>\$ (1,225,002)</b>	<b>\$ (9,929,540)</b>	<b>\$ (15,511,396)</b>

Total governmental activities generated revenues of \$25.8 million while expenses in this category totaled \$20.1 million for the year ended June 30, 2020. Comparatively, revenues were \$23.8 million and expenses totaled \$19.1 million for the year ended June 30, 2019. After transfers to the business-type activities, the increase in net position stands at \$5,469,378 at June 30, 2020, compared to an increase of \$4,655,783 in 2019. Instructional services expenses comprised 71% of total governmental-type expenses while system-wide support services made up 25% of those expenses for 2020. County funding comprised 36% of total governmental revenue for 2020, an increase of 18% from 2019 due to construction at Central Middle School. Much of the remaining total governmental revenue for 2020 consists of restricted State and federal money. Business-type activities generated revenue of \$1,154,052 and expenses of \$1,226,616. Net position increased in the business-type activities by \$112,478 after transfers from the governmental activities of \$185,042.

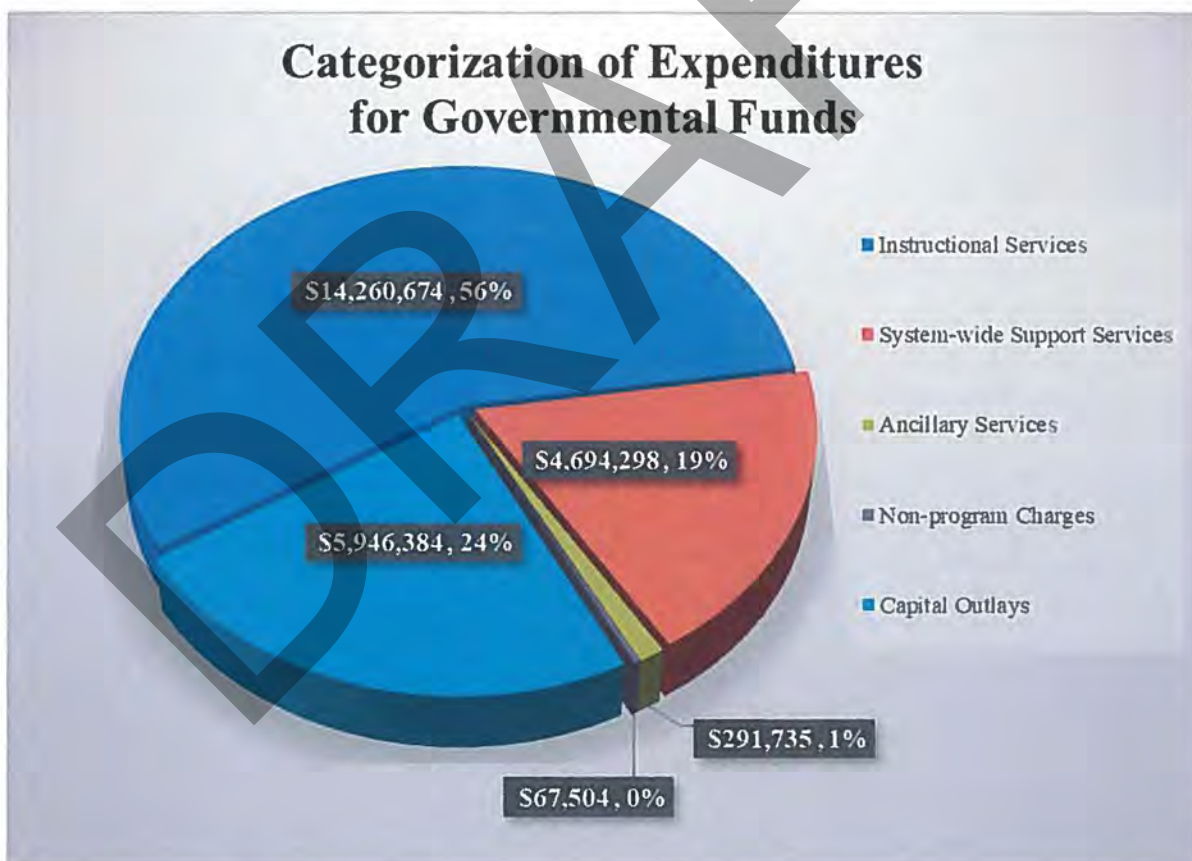


## ***Financial Analysis of the Board's Funds***

**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 \$1,554,710, a \$230,963 increase over last year. All of the Board's governmental funds had revenues and other financing sources that exceeded expenditures and other uses. State funding increased \$611,561 and County funding increased \$1,469,635 due to Central Middle School construction. Expenditures increased by \$1,294,980 over the prior year, also due in part to Central Middle School construction.

**Proprietary Funds:** The Board's business-type School Food Service Fund reflected a increase in net position over last year of \$95,085. The Child Care Fund reflected an increase in net position over last year of \$17,393.



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 \$229,723 in the General Fund.

### ***Capital Assets***

Capital assets increased by \$5,154,501 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		
	2020	2019	2020	2019	2020	2019	
Land	\$ 65,470	\$ 65,470	\$ -	\$ -	\$ 65,470	\$ 65,470	
Land Improvements	\$ 19,609	\$ -	\$ -	\$ -	\$ 19,609	\$ -	
Construction in progress	-	4,839,649	-	-	-	4,839,649	
Buildings	19,835,163	9,711,561	-	-	19,835,163	9,711,561	
Furniture and equipment	129,197	141,709	43,813	52,421	173,010	194,130	
Vehicles and motorized equipment	808,252	936,193	-	-	808,252	936,193	
Total	\$ 20,857,691	\$ 15,694,582	\$ 43,813	\$ 52,421	\$ 20,901,504	\$ 15,747,003	

### ***Debt Outstanding***

During the year the Board's outstanding debt decreased by \$169,261 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 anticipates 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

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## BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

DRAFT

**Gates County Board of Education, North Carolina**  
**Statement of Net Position**  
**June 30, 2020**

	<b>Primary Government</b>	
	<b>Governmental</b>	<b>Business-type</b>
	<b>Activities</b>	<b>Activities</b>
		<b>Total</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,459,021	\$ 80,351
Due from other governments	773,656	97,078
Accounts receivable (net)	27,407	2,763
Internal balances	86,572	(86,572)
Net OPEB asset	26,992	1,125
Inventories	-	48,102
Capital assets		
Land and construction in progress	65,470	-
Other capital assets, net of depreciation	20,792,221	43,813
Total capital assets	20,857,691	43,813
Total assets	23,231,339	186,660
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	4,792,521	199,685
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 273,937	\$ 2,339
Accrued salaries and wages payable	517,933	-
Unearned revenues	76	11,672
Long term liabilities:		
Net pension liability	7,373,644	307,234
Net OPEB liability	19,298,851	804,118
Due within one year	770,384	19,609
Due in more than one year	572,807	19,178
Total liabilities	28,807,632	1,164,150
<b>DEFERRED INFLOWS OF RESOURCES</b>	8,033,244	334,719
<b>NET POSITION</b>		
Net investment in capital assets	20,750,578	43,813
Restricted for:		
Individual schools	176,964	-
Stabilization by state statute	151,086	-
Special populations services	43,340	-
Alternative programs and services	4,811	-
Community Center	70,405	-
School capital outlay	42,830	-
DIPNC OPEB Plan	26,992	1,125
Unrestricted	(30,084,022)	(1,157,462)
Total net position	\$ (8,817,016)	\$ (1,112,524)
	\$ (9,929,540)	\$ (9,929,540)

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, 2020

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 7,791,078	\$ 89,491	\$ 6,579,467	\$ -	\$ (1,122,120)	\$ -	\$ (1,122,120)
Special populations	2,005,386	-	1,944,169	-	(61,217)	-	(61,217)
Alternative programs	1,266,197	-	1,241,119	-	(25,078)	-	(25,078)
School leadership	1,427,899	-	809,500	-	(618,399)	-	(618,399)
Co-curricular	138,404	-	-	-	(138,404)	-	(138,404)
School-based support	1,682,603	283,102	829,557	-	(569,944)	-	(569,944)
System-wide support services:							
Support and development	70,411	-	24,227	-	(46,184)	-	(46,184)
Special populations support and development	146,250	-	87,206	-	(59,044)	-	(59,044)
Alternative programs and services support and development	5,993	-	16,912	-	10,919	-	10,919
Technology support	354,533	-	34,569	-	(319,964)	-	(319,964)
Operational support	3,023,812	6,595	1,214,460	5,450	(1,797,307)	-	(1,797,307)
Financial and human resources	532,166	-	114,733	-	(417,433)	-	(417,433)
Accountability	121,785	-	37,516	-	(84,269)	-	(84,269)
System-wide pupil support	113,610	-	100,670	-	(12,940)	-	(12,940)
Policy, leadership, and public relations	588,085	-	272,540	-	(315,545)	-	(315,545)
Ancillary services	312,679	-	222,466	-	(90,213)	-	(90,213)
Non-programmed charges	27,224	-	53,860	-	26,636	-	26,636
Unallocated depreciation expense	543,639	-	-	-	(543,639)	-	(543,639)
Total governmental activities	20,151,754	379,188	13,582,971	5,450	(6,184,145)	-	(6,184,145)
Business-type activities:							
School food service	948,874	157,864	766,330	-	-	(24,680)	(24,680)
Child care	277,742	227,891	-	-	-	(49,851)	(49,851)
Total business-type activities	1,226,616	385,755	766,330	-	-	(74,531)	(74,531)
Total primary government	\$ 21,378,370	\$ 764,943	\$ 14,349,301	\$ 5,450	(6,184,145)	(74,531)	(6,258,676)
General revenues:							
Unrestricted county appropriations - operating					3,101,763	-	3,101,763
Unrestricted county appropriations - capital					5,952,950	-	5,952,950
Unrestricted State appropriations - operating					2,472,603	-	2,472,603
Unrestricted State appropriations - capital					169,261	-	169,261
Investment earnings, unrestricted					2,824	8	2,832
Miscellaneous, unrestricted					139,164	1,959	141,123
Transfers					(185,042)	185,042	-
Total general revenues and transfers					11,653,523	187,009	11,840,532
Change in net position					5,469,378	112,478	5,581,856
Net position, beginning					(14,286,394)	(1,225,002)	(15,511,396)
Net position, ending					\$ (8,817,016)	\$ (1,112,524)	\$ (9,929,540)

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

**FUND FINANCIAL STATEMENTS**

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**Gates County Board of Education, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	Major Funds			Non-major Funds	
	General	State Public School	Capital Outlay	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,098,098	\$ -	\$ 37,880	\$ 323,043	\$ 1,459,021
Accounts receivable	5,000	-	4,950	17,457	27,407
Due from other funds	86,572	5,000	-	111	91,683
Due from other governments	-	434,501	266,269	72,886	773,656
Total assets	<u>\$ 1,189,670</u>	<u>\$ 439,501</u>	<u>\$ 309,099</u>	<u>\$ 413,497</u>	<u>\$ 2,351,767</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 297	\$ -	\$ 266,269	\$ 2,260	\$ 268,826
Accrued salaries and wages payable	47,753	434,501	-	35,679	517,933
Deferred revenue	-	-	-	76	76
Due to other funds	5,111	-	-	-	5,111
Due to other governments	-	5,000	-	111	5,111
Total liabilities	<u>53,161</u>	<u>439,501</u>	<u>266,269</u>	<u>38,126</u>	<u>797,057</u>
Fund balances:					
Restricted:					
Individual Schools	-	-	-	176,964	176,964
Stabilization by State Statute	91,572	-	-	59,514	151,086
School Capital Outlay	-	-	42,830	-	42,830
Committed:					
JCPC Grant	-	-	-	4,811	4,811
Medicaid	-	-	-	43,340	43,340
Community Center	-	-	-	70,405	70,405
Assigned:					
Subsequent years expenditures	424,100	-	-	20,000	444,100
Unassigned:	620,837	-	-	337	621,174
Total fund balances	<u>1,136,509</u>	<u>-</u>	<u>42,830</u>	<u>375,371</u>	<u>1,554,710</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,189,670</u>	<u>\$ 439,501</u>	<u>\$ 309,099</u>	<u>\$ 413,497</u>	

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

Net OPEB asset	\$ 26,992
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.	20,857,691
Deferred outflows of resources related to pensions	2,993,103
Deferred outflows of resources related to OPEB	1,799,418
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).	(1,343,191)
Net pension liability	(7,373,644)
Net OPEB liability	(19,298,851)
Deferred inflows of resources related to pensions	(125,476)
Deferred inflows of resources related to OPEB	(7,907,768)
Net position of governmental activities	<u>\$ (8,817,016)</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, 2020**

	Major Funds			Non-major Funds	Total
	General	State Public School	Capital Outlay	Other Governmental Funds	Governmental Funds
<b>REVENUES</b>					
State of North Carolina	\$ -	\$ 14,611,163	\$ 169,261	\$ 356,145	\$ 15,136,569
Gates County	2,858,000	-	5,952,950	243,763	9,054,713
U. S. Government	-	-	-	856,820	856,820
Contributions and donations	-	-	-	107,692	107,692
Other	27,353	-	6,862	655,852	690,067
Total revenues	<u>2,885,353</u>	<u>14,611,163</u>	<u>6,129,073</u>	<u>2,220,272</u>	<u>25,845,861</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Instructional services					
Regular instructional	224,684	7,429,889	-	104,007	7,758,580
Special populations	35,022	1,410,432	-	543,946	1,989,400
Alternative programs	36,090	760,841	-	488,926	1,285,857
School leadership	23,970	1,331,255	-	52,745	1,407,970
Co-curricular	120,396	-	-	18,601	138,997
School-based support	94,888	1,132,942	-	452,040	1,679,870
System-wide support services					
Support and development	20,100	31,779	-	18,370	70,249
Special populations support and development	38,280	94,242	-	1,337	133,859
Alternative programs and services support and development	-	-	-	16,912	16,912
Technology support	118,160	229,705	-	5,172	353,037
Operational support	1,412,233	1,216,309	-	150,203	2,778,745
Financial and human resources	188,931	334,598	-	22,161	545,690
Accountability	79,908	37,516	-	1,082	118,506
System-wide pupil support	9,540	96,170	-	5,459	111,169
Policy, leadership, and public relations	226,549	338,786	-	796	566,131
Ancillary services	11,593	1,991	-	278,151	291,735
Non-programmed charges	15,286	(907)	-	53,125	67,504
<b>Capital outlay:</b>					
Real property and buildings	-	-	5,932,627	-	5,932,627
Furniture and equipment	-	-	13,757	-	13,757
<b>Debt service:</b>					
Principal	-	-	169,261	-	169,261
Total expenditures	<u>2,655,630</u>	<u>14,445,548</u>	<u>6,115,645</u>	<u>2,213,033</u>	<u>25,429,856</u>
Excess (deficiency) of revenues over expenditures	<u>229,723</u>	<u>165,615</u>	<u>13,428</u>	<u>7,239</u>	<u>416,005</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from (to) other funds	(19,427)	(165,615)	-	-	(185,042)
Total other financing sources (uses)	<u>(19,427)</u>	<u>(165,615)</u>	<u>-</u>	<u>-</u>	<u>(185,042)</u>
Net change in fund balance	210,296	-	13,428	7,239	230,963
Fund balances, beginning	926,213	-	29,402	368,132	1,323,747
Fund balances, ending	<u>\$ 1,136,509</u>	<u>\$ -</u>	<u>\$ 42,830</u>	<u>\$ 375,371</u>	<u>\$ 1,554,710</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, 2020**

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

Net changes in fund balances - total governmental funds	\$ 230,963
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.	5,163,109
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,449,271
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	733,927
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.	169,261
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	(2,552,320)
Net OPEB expense	483,191
Compensated absences	(208,024)
Total changes in net position of governmental activities	<u>\$ 5,469,378</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, 2020**

	General Fund			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Gates County	\$ 2,858,000	\$ 2,858,000	\$ 2,858,000	\$ -
Other	30,000	27,353	27,353	-
Total revenues	<u>2,888,000</u>	<u>2,885,353</u>	<u>2,885,353</u>	<u>-</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instructional services				
Regular instructional	310,723	310,412	224,684	85,728
Special populations	53,052	47,482	35,022	12,460
Alternative programs	29,067	53,472	36,090	17,382
School leadership	62,000	71,070	23,970	47,100
Co-curricular	88,821	120,616	120,396	220
School-based support	86,607	101,148	94,888	6,260
System-wide support services				
Support and development	15,000	20,100	20,100	-
Special populations support and development	70,213	69,915	38,280	31,635
Technology support	122,935	118,882	118,160	722
Operational support	1,447,649	1,466,005	1,412,233	53,772
Financial and human resources	261,745	190,843	188,931	1,912
Accountability	100,563	79,908	79,908	-
System-wide pupil support	4,000	10,546	9,540	1,006
Policy, leadership, and public relations	206,259	230,227	226,549	3,678
Ancillary services	8,366	35,935	11,593	24,342
Non-programmed charges	21,000	15,286	15,286	-
Total expenditures	<u>2,888,000</u>	<u>2,941,847</u>	<u>2,655,630</u>	<u>286,217</u>
Net change in fund balance	<u>-</u>	<u>(56,494)</u>	<u>229,723</u>	<u>(286,217)</u>
Other financing sources (uses)				
Fund balance appropriated	-	56,494	-	(56,494)
Total other financing sources (uses)	<u>-</u>	<u>56,494</u>	<u>(19,427)</u>	<u>(75,921)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>210,296</u>	<u>\$ 210,296</u>
Fund balance, beginning			926,213	
Fund balance, ending			<u>\$ 1,136,509</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, 2020**

**State Public School Fund**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>REVENUES</b>				
State of North Carolina	\$ 14,238,448	\$ 14,821,053	\$ 14,611,163	\$ (209,890)
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instructional services				
Regular instructional	7,386,788	7,532,900	7,429,889	103,011
Special populations	1,391,560	1,410,468	1,410,432	36
Alternative programs	802,056	760,841	760,841	-
School leadership	1,313,973	1,331,255	1,331,255	-
Co-curricular	-	-	-	-
School-based support	1,080,696	1,239,784	1,132,942	106,842
System-wide support services				
Support and development	27,952	31,779	31,779	-
Special populations support and development	91,245	94,242	94,242	-
Alternative programs and service support and development	-	-	-	-
Technology support	189,524	229,705	229,705	-
Operational support	1,069,465	1,261,108	1,216,309	44,799
Financial and human resources	347,544	334,598	334,598	-
Accountability	41,830	37,516	37,516	-
System-wide pupil support	94,540	96,170	96,170	-
Policy, leadership, and public relations	344,561	338,786	338,786	-
Ancillary services	56,714	111,236	1,991	109,245
Non-programmed charges	-	(907)	(907)	-
Total expenditures	14,238,448	14,809,481	14,445,548	363,933
Revenues over (under) expenditures	-	11,572	165,615	154,043
Other financing sources (uses)				
Transfers to other funds	-	(11,572)	(165,615)	(154,043)
Total other financing sources (uses)	-	(11,572)	(165,615)	(154,043)
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, 2020**

	Enterprise Funds		
	Major Funds		Total
	School Food Service	Child Care	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 57,912	\$ 22,439	\$ 80,351
Due from other governments	96,372	706	97,078
Accounts receivable (Net of allowance of \$550 in Child Care)	482	2,281	2,763
OPEB asset	844	281	1,125
Inventories	48,102	-	48,102
Total current assets	203,712	25,707	229,419
Noncurrent assets:			
Capital assets:			
Food service equipment, net	43,813	-	43,813
Total noncurrent assets	43,813	-	43,813
Total assets	247,525	25,707	273,232
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	149,764	49,921	199,685
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	350	1,989	2,339
Due to other funds	86,572	-	86,572
Compensated absences	18,181	1,428	19,609
Unearned revenues	11,073	599	11,672
Total current liabilities	116,176	4,016	120,192
Noncurrent liabilities:			
Compensated absences	19,178	-	19,178
Net OPEB liability	603,089	201,029	804,118
Net pension liability	230,426	76,808	307,234
Total noncurrent liabilities	852,693	277,837	1,130,530
<b>DEFERRED INFLOWS OF RESOURCES</b>	251,039	83,680	334,719
<b>NET POSITION</b>			
Net investment in capital assets	43,813	-	43,813
DIPNC OPEB plan	844	281	1,125
Unrestricted	(867,276)	(290,186)	(1,157,462)
Total net position	\$ (822,619)	\$ (289,905)	\$ (1,112,524)

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, 2020**

	Enterprise Funds		
	Major Funds		
	School Food Service	Child Care	Total
<b>OPERATING REVENUES</b>			
Food sales	\$ 157,864	\$ -	\$ 157,864
Child care fees	-	227,891	227,891
Other	-	1,959	1,959
Total operating revenues	157,864	229,850	387,714
<b>OPERATING EXPENSES</b>			
Food cost:			
Purchase of food	243,904	18,944	262,848
Donated commodities	63,919	-	63,919
Salaries and benefits	560,513	253,168	813,681
Materials and supplies	50,084	4,750	54,834
Depreciation	8,608	-	8,608
Contracted services	17,269	-	17,269
Travel	185	-	185
Utilities	1,521	-	1,521
Bad debt expense	-	415	415
Other	2,871	465	3,336
Total operating expenses	948,874	277,742	1,226,616
Operating loss	(791,010)	(47,892)	(838,902)
<b>NONOPERATING REVENUES</b>			
Federal reimbursements	671,506	-	671,506
Federal commodities	63,919	-	63,919
DHHS-COVID-19 Bonus Reimbursements	-	20,303	20,303
DHHS-COVID-19 Operational Grant	-	9,061	9,061
Sales tax refund	401	-	401
Interest earned	8	-	8
Contributions and donations	350	-	350
Rental of school property	790	-	790
Total nonoperating revenues	736,974	29,364	766,338
Loss before contributions and transfers	(54,036)	(18,528)	(72,564)
<b>OTHER FINANCING SOURCES</b>			
Transfer from other funds	149,121	35,921	185,042
Total other financing sources	149,121	35,921	185,042
Change in net position	95,085	17,393	112,478
Total net position, beginning	(917,704)	(307,298)	(1,225,002)
Total net position, ending	\$ (822,619)	\$ (289,905)	\$ (1,112,524)

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, 2020

	Enterprise Funds		
	Major Funds		
	School Food Service	Child Care	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 161,516	\$ 228,194	\$ 389,710
Cash paid for goods and services	(335,668)	(23,125)	(358,793)
Cash paid to employees for services	(408,929)	(226,635)	(635,564)
Net cash used by operating activities	(583,081)	(21,566)	(604,647)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Increase in due to other funds	31,572	-	31,572
Federal reimbursements	589,129	-	589,129
State reimbursements	401	-	401
Rental of school property	790	-	790
Contributions and donations	350	-	350
DHHS-COVID-19 bonus reimbursements	-	20,303	20,303
DHHS-COVID-19 operational grant	-	9,061	9,061
Net cash provided by noncapital financing activities	622,242	29,364	651,606
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	8	-	8
Net decrease in cash and cash equivalents	39,169	7,798	46,967
Balances - beginning of year	18,743	14,155	32,898
Balances - end of year	\$ 57,912	\$ 21,953	\$ 79,865
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (791,010)	\$ (47,892)	\$ (838,902)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	8,608	-	8,608
Bad debt expense	-	415	415
Donated commodities consumed	63,919	-	63,919
Salaries paid by general fund	-	19,427	19,427
Salaries paid by special revenue fund	149,121	16,494	165,615
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	(455)	666	211
(Increase) decrease in net OPEB asset	(250)	(83)	(333)
(Increase) decrease in inventory	(20,184)	-	(20,184)
(Increase) decrease in due from other governments	-	481	481
(Increase) decrease in deferred outflows	2,660	887	3,547
Increase (decrease) in accounts payable	350	1,034	1,384
Increase (decrease) in net pension liability	7,609	2,536	10,145
Increase (decrease) in net OPEB liability	45,520	15,173	60,693
Increase (decrease) in deferred inflows	(59,102)	(19,700)	(78,802)
Increase (decrease) in unearned revenues	4,107	(1,603)	2,504
Increase (decrease) in compensated absences	6,026	(8,201)	(2,175)
Total adjustments	207,929	27,526	235,455
Net cash used by operating activities	\$ (583,081)	\$ (20,366)	\$ (603,447)

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, 2020**

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

The State Public School Fund paid salaries and benefits of \$149,121 to administrative personnel of the School Food Service Fund and \$16,494 to personnel of the Child Care Fund during the year. The General Fund paid salaries and benefits of \$19,427 to personnel of the Child Care 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 \$63,919 during the fiscal year. The receipt of the commodities is recognized as a nonoperating revenue. The Fund recorded the consumption of \$63,919 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, 2020**

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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.

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*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.

The Board reports the following major enterprise funds:

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

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

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.

**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

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both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

**D. Budgetary Data**

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

**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.



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

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

	Years
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, 2020 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

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represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, or imposed by law through state statute.

**Fund 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 \$(10,371,726) 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)	\$ 33,334,531
Less - Accumulated Depreciation	<u>(12,476,840)</u>
Net capital assets	20,857,691
Net OPEB Asset	26,992
Pension related deferred outflows of resources	2,993,103
OPEB related deferred outflows of resources	1,799,418
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	(107,113)
Compensated Absences	(1,236,078)
Net pension liability	(7,373,644)
Net OPEB liability	(19,298,851)
Deferred inflows of resources related to pensions	(125,476)
Deferred inflows of resources related to OPEB	<u>(7,907,768)</u>
Total adjustment	<u>\$ (10,371,726)</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 \$5,238,415 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 5,820,156
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.	(657,047)
New debt issued during the years is recorded as a source of funds on the fund statements; but only affect the statement of net assets in the government-wide statements	-
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	169,261
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,449,271
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	733,927
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	(2,552,320)
OPEB expense	483,191
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	<u>(208,024)</u>
	<u>\$ 5,238,415</u>

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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

No items to report.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary 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, 2020 the Board had deposits with banks with a carrying amount of \$1,539,347. The bank balances with the financial institutions and the State Treasurer were \$1,674,257 and \$227,376, respectively. Of these balances, \$260,883 was covered by federal depository insurance, \$1,413,374 was covered by collateral held under the pooling method, and \$227,376 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

At June 30, 2020, the Board had petty cash of \$25.

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2. Accounts Receivable

Receivables at the government-wide level at June 30, 2020, were as follows:

	Due from other funds (internal balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ 81,572	\$ -	\$ 5,000	\$ 86,572
Other governmental	5,000	773,656	22,407	801,063
Total governmental activities:	<u>\$ 86,572</u>	<u>\$ 773,656</u>	<u>\$ 27,407</u>	<u>\$ 887,635</u>
Business-type activities:				
School Food Service	\$ (86,572)	\$ 96,372	\$ 482	\$ 10,282
Child Care	-	706	1,081	1,787
	<u>\$ (86,572)</u>	<u>\$ 97,078</u>	<u>\$ 1,563</u>	<u>\$ 12,069</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	\$ 434,501	Operating revenues from DPI
Federal Grants Fund	30,829	Federal grants funds
Other Specific Revenue Fund	42,057	NC Pre-K
Capital Outlay Fund	266,269	Gates County
Total governmental activities	<u>\$ 773,656</u>	
Business-type activities:		
School Food Service Fund	\$ 96,372	USDA reimbursement
Child Care Fund	706	CACFP
Total governmental activities	<u>\$ 97,078</u>	

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**3. Capital Assets**

Capital asset activity for the year ended June 30, 2020, 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
Construction in progress	4,839,649	-	4,839,649	-
Total capital assets not being depreciated	4,905,119	-	4,839,649	65,470
<b>Capital assets being depreciated:</b>				
Buildings	21,222,999	10,601,920	2,212,777	29,612,142
Equipment and furniture	1,195,318	37,540	-	1,232,858
Land improvements	-	20,345	-	20,345
Vehicles	2,403,716	-	-	2,403,716
Total capital assets being depreciated	24,822,033	10,659,805	2,212,777	33,269,061
<b>Less accumulated depreciation for:</b>				
Buildings	11,511,438	478,318	2,212,777	9,776,979
Equipment and furniture	1,053,609	50,052	-	1,103,661
Land improvements	-	736	-	736
Vehicles	1,467,523	127,941	-	1,595,464
Total accumulated depreciation	14,032,570	657,047	2,212,777	12,476,840
Total capital assets being depreciated, net	10,789,463			20,792,221
<b>Governmental activity capital assets, net</b>	<b>\$ 5,694,582</b>			<b>\$ 20,857,691</b>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 543,639
Operational support services	113,408
<b>Total</b>	<b>\$ 657,047</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	278,855	8,608	-	287,463
Total accumulated depreciation	278,855	8,608	-	287,463
<b>Business-type activities capital assets, net</b>	<b>\$ 52,421</b>			<b>\$ 43,813</b>

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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, 2020, was 12.97% 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 \$1,509,657 for the year ended June 30, 2020.



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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, 2020, the Board reported a liability of \$7,680,878 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2020 and at June 30, 2019, the Board's proportion was .074% and .075%, respectively.

For the year ended June 30, 2020, the Board recognized pension expense of \$2,658,667. At June 30, 2020, 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	\$ 642,497	\$ 15,377
Changes of assumptions	818,428	-
Net difference between projected and actual earnings on pension plan investments	147,232	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	115,327
Board contributions subsequent to the measurement date	1,509,657	-
	<u>\$ 3,117,814</u>	<u>\$ 130,704</u>

\$1,509,657 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:



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**Year ended June 30:**

2021	\$ 1,043,196
2022	249,423
2023	133,328
2024	51,505
2025	-
Thereafter	-
	<u>\$ 1,477,452</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2018 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, 2018 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, 2018 are summarized in the following table:

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Board's proportionate share of the net pension liability	\$ 14,618,848	\$ 7,680,878	\$ 1,860,806

*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

**Gates County Board of Education, North Carolina**  
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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>.

*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 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

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determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.47% of covered payroll which amounted to \$753,083.

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

At June 30, 2020, Board reported a liability of \$20,102,969 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. The total OPEB liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At December 31, 2019, the Board's proportion was 0.064%.

\$752,868 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, 2021. 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>	
2021	\$ 2,159,972
2022	2,159,972
2023	2,158,037
2024	744,346
2025	(59,099)
Thereafter	-
	<u>\$ 7,163,228</u>

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

Inflation	2.75 percent
Salary increases based on service	Teachers: 7.55% grading down to 3.50%
	Law Enforcement Officers: 8.10% grading down to 3.50%
	General Employees: 5.50% grading down to 3.50%
Discount rate	3.50% for fiscal 2019, 3.87% for fiscal 2018
Healthcare cost trend rate - medical	6.50% grading down to 5.00% by 2024 for non-MA and MA coverage
Healthcare cost trend rate - prescription drug	9.50% grading down to 5.00% by 2028
Healthcare cost trend rate - administrative	3.00 percent
Post-Retirement Mortality Rates	RP-2014 Healthy 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 3.50%. 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 3.50% was used as the discount rate used to measure the total OPEB liability. The 3.50% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2019.

***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



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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 (2.50 percent) or 1-percentage point higher (4.50 percent) than the current discount rate:

	<u>1% Decrease (2.50%)</u>	<u>Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
Net OPEB liability	\$ 23,890,510	\$ 20,102,969	\$ 17,071,651

*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 (2.50 percent) or 1-percentage point higher (4.50 percent) than the current discount rate:

<u>Healthcare Trend Rates</u>			
	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates (6.5% Medical, 7.25% Rx, 3.00% Admin Expenses)</u>	<u>1% Increase in Trend Rates</u>
Net OPEB liability	\$ 16,553,908	\$ 20,102,969	\$ 24,771,210

*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

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must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

**Contributions.** Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2020, employers made a statutory contribution of 0.10% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were \$11,640 for the year ended June 30, 2020.

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, 2020, Board reported an asset of \$28,117 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2019, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018. The total OPEB asset was then rolled forward to the measurement date of June 30, 2019 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, 2019, the Board's proportion was 0.064%.

\$11,640 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, 2021. 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>	
2021	\$ 12,487
2022	8,261
2023	6,082
2024	3,865
2025	5,278
Thereafter	(117)
	<u>\$ 35,856</u>

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



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

*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:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB asset	\$ 23,814	\$ 28,117	\$ 32,298

*Common actuarial assumptions for both OPEB plans.* The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2018 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, 2019. 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:

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

**Gates County Board of Education, North Carolina**  
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***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:

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB Expense	\$ (531,080)	\$ 27,757	\$ (503,323)
OPEB Liability (Asset)	20,102,969	(28,117)	20,074,852
Proportionate Share of the net OPEB liability (asset)	0.06354%	0.06516%	
Deferred Outflows of Resources:			
Differences between expected and actual experience	-	28,723	28,723
Changes of assumptions	966,243	3,115	969,358
Net difference between projected and actual earnings on plan investments	13,387	5,356	18,743
Changes in proportion and differences between Board contributions and proportionate share of contributions	91,515	1,545	93,060
Board contributions subsequent to the measurement date	752,868	11,640	764,508
Deferred Inflows of Resources:			
Differences between expected and actual experience	1,013,443	-	1,013,443
Changes of assumptions	6,043,834	2,885	6,046,719
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,177,097	-	1,177,097

3. Accounts Payable

Accounts payable as of June 30, 2020, are as follows:

	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 47,864	\$ 297	\$ 48,161
Other governmental	470,180	268,529	738,709
Total governmental activities:	<u>\$ 518,044</u>	<u>\$ 268,826</u>	<u>\$ 786,870</u>
Business-type activities:			
School Food Service	\$ -	\$ 350	\$ 350
Child Care	-	1,989	1,989
Total business-type activities	<u>\$ -</u>	<u>\$ 2,339</u>	<u>\$ 2,339</u>

**Gates County Board of Education, North Carolina**  
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**4. Deferred Outflows and Inflows of Resources**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 671,220	\$ 1,028,820
Changes of assumptions	1,787,786	6,046,719
Net difference between projected and actual earnings on pension plan investments	165,975	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	93,060	1,292,424
Board contributions subsequent to the measurement date	2,274,165	-
	<u>\$ 4,992,206</u>	<u>\$ 8,367,963</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**  
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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 2017, the Board entered into an installment purchase contract to finance the purchase of four school buses for \$333,231. The financing contract requires only principal payments of \$83,308 annually. The contract was paid in full in 2020.

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 2020.

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 \$21,161 were made in fiscal year 2020.

The future minimum payments of installment purchases as of June 30, 2020, including \$2,911 implied interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ 85,953	\$ 2,184
2022	21,160	727
2023	-	-
2024	-	-
2025	-	-
Thereafter	-	-
Total	<u>\$ 107,113</u>	<u>\$ 2,911</u>

**Gates County Board of Education, North Carolina**  
**Notes to the Financial Statements**  
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**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, 2020:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion
<i>Governmental activities:</i>					
Installment purchases	\$ 276,374	\$ -	\$ 169,261	\$ 107,113	\$ 85,953
Net pension liability	7,130,153	243,491	-	7,373,644	-
Net OPEB liability	17,842,219	1,456,632	-	19,298,851	-
Compensated absences	1,028,054	892,455	684,431	1,236,078	684,431
Total	<u>\$ 26,276,800</u>	<u>\$ 2,592,578</u>	<u>\$ 853,692</u>	<u>\$ 28,015,686</u>	<u>\$ 770,384</u>
<i>Business-type activities:</i>					
Net pension liability	\$ 297,089	\$ 56,358	\$ -	\$ 307,234	\$ -
Net OPEB liability	743,425	60,693	-	804,118	-
Compensated absences	40,962	25,302	27,477	38,787	19,609
	<u>\$ 1,081,476</u>	<u>\$ 142,353</u>	<u>\$ 27,477</u>	<u>\$ 1,150,139</u>	<u>\$ 19,609</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, 2020, consist of the following:

	Amount
From the State Public School Fund to the School Food Service Fund for salaries	\$ 149,121
From the State Public School Fund to the Child Care Fund for salaries	16,494
From the General Fund to the School Food Service Fund for salaries	19,427
	<u>\$ 185,042</u>



**Gates County Board of Education, North Carolina**  
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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>\$ 1,136,509</b>
Less:	
Stabilization for State Statute	91,572
Subsequent years expenditures	424,100
Remaining Fund Balance	<b>\$ 620,837</b>
<b>Total fund balance - Other Specific Revenue Fund</b>	<b>\$ 198,407</b>
Less:	
Stabilization for State Statute	59,514
Committed for Community Center	70,405
Committed for Grants	4,811
Committed for Medicaid	43,340
Subsequent years expenditures	20,000
Remaining Fund Balance	<b>\$ 337</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 through December 29, 2020, 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 Seven Fiscal Years**

	2020	2019	2018	2017	2016	2015	2014
Board's proportion of the net pension liability (asset)	0.074%	0.075%	0.076%	0.079%	0.082%	0.081%	0.080%
Board's proportionate share of the net pension liability (asset)	\$ 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	\$ 11,541,678	\$ 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	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	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 Seven Fiscal Years**

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 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	1,509,657	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>
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
Contributions as a percentage of covered-employee payroll	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 Four Fiscal Years**

	2020	2019	2018	2017
Board's proportion of the net OPEB liability (asset)	0.064%	0.065%	0.067%	0.067%
Board's proportionate share of the net OPEB liability (asset)	\$ 20,102,969	\$ 18,585,644	\$ 22,044,368	\$ 29,058,318
Board's covered-employee payroll	\$ 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	174.18%	169.75%	203.35%	252.97%
Plan fiduciary net position as a percentage of the total OPEB liability	4.45%	4.40%	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 Four Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 753,083	\$ 723,663	\$ 662,407	\$ 630,166
Contributions in relation to the contractually required contribution	753,083	723,663	662,407	630,166
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 11,639,609	\$ 11,541,678	\$ 10,948,882	\$ 10,840,597
Contributions as a percentage of covered-employee payroll	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 Four Fiscal Years**

	2020	2019	2018	2017
Board's proportion of the net OPEB asset	0.065%	0.065%	0.066%	0.069%
Board's proportionate share of the net OPEB asset	\$ 28,117	\$ 19,793	\$ 40,486	\$ 43,122
Board's covered-employee payroll	\$ 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	0.24%	0.18%	0.37%	0.38%
Plan fiduciary net position as a percentage of the total OPEB asset	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 Four Fiscal Years**

	2020	2019	2018	2017
Contractually required contribution	\$ 11,640	\$ 16,158	\$ 15,328	\$ 41,194
Contributions in relation to the contractually required contribution	11,640	16,158	15,328	41,194
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Board's covered-employee payroll	\$ 11,639,609	\$ 11,541,678	\$ 10,948,882	\$ 10,840,597
Contributions as a percentage of covered-employee payroll	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, 2020**

	2020		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues</b>			
Gates County:			
Appropriation from county	\$ 2,858,000	\$ 2,858,000	\$ -
Other:			
Fines and forfeitures	26,853	26,853	-
Proceeds from sales of fixed assets	500	500	-
	27,353	27,353	-
<b>Total revenues</b>	2,885,353	2,885,353	-
<b>Expenditures:</b>			
Instructional services			
Regular instructional	310,412	224,684	85,728
Special populations	47,482	35,022	12,460
Alternative programs	53,472	36,090	17,382
School leadership	71,070	23,970	47,100
Co-curricular	120,616	120,396	220
School-based support	101,148	94,888	6,260
Total	704,200	535,050	169,150
System-wide support services			
Support and development	20,100	20,100	-
Special populations support and development	69,915	38,280	31,635
Technology support	118,882	118,160	722
Operational support	1,466,005	1,412,233	53,772
Financial and human resources	190,843	188,931	1,912
Accountability	79,908	79,908	-
System-wide pupil support	10,546	9,540	1,006
Policy, leadership, and public relations	230,227	226,549	3,678
Total	2,186,426	2,093,701	92,725
Ancillary services	35,935	11,593	24,342
Non-programmed charges	15,286	15,286	-
<b>Total expenditures</b>	2,941,847	2,655,630	286,217
Excess of revenues over expenditures	(56,494)	229,723	(286,217)
<b>Other financing sources (uses):</b>			
Fund balance appropriated	56,494	-	(56,494)
Total	56,494	(19,427)	(75,921)
<b>Net change in fund balance</b>	\$ -	210,296	\$ 210,296
<b>Fund balance, beginning</b>		926,213	
<b>Fund balance, ending</b>		\$ 1,136,509	

**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, 2020**

	2020		Variance Positive (Negative)
	Budget	Actual	
<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	169,261	169,261	-
Other:			
Interest earned on investments	255	255	-
Sales tax refund	1,657	1,657	-
Disposition of fixed assets	4,950	4,950	-
Total other	6,862	6,862	-
<b>Total revenues</b>	<b>376,123</b>	<b>376,123</b>	<b>-</b>
<b>Expenditures:</b>			
Capital Outlay:			
Land and buildings	186,862	179,677	7,185
Furniture and equipment	20,000	13,757	6,243
Debt service:			
Principal	169,261	169,261	-
<b>Total expenditures</b>	<b>376,123</b>	<b>362,695</b>	<b>13,428</b>
Excess of revenues over expenditures	-	13,428	(13,428)
<b>Other financing sources</b>			
Fund balance appropriated	-	-	-
Total	-	-	-
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>13,428</b>	<b>\$ 13,428</b>
<b>Non-budgeted reconciling items:</b>			
County appropriation		5,752,950	
Capital outlay - Land and Buildings		(5,752,950)	
<b>Fund balance, beginning</b>		29,402	
<b>Fund balance, ending</b>		<b>\$ 42,830</b>	



Gates County Board of Education, North Carolina  
Combining Balance Sheet  
Non-major Governmental Funds  
June 30, 2020

	<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>Total Non-major Governmental Funds</u>
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ -	\$ 146,079	\$ 176,964	\$ 323,043
Accounts receivable	-	17,457	-	17,457
Due from other funds	111	-	-	111
Due from other governments	30,829	42,057	-	72,886
Total current assets	<u>\$ 30,940</u>	<u>\$ 205,593</u>	<u>\$ 176,964</u>	<u>\$ 413,497</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ -	\$ 2,260	\$ -	\$ 2,260
Accrued salaries and wages payable	30,829	4,850	-	35,679
Due to other governments	111	-	-	111
Deferred revenue	-	76	-	76
Total liabilities	<u>30,940</u>	<u>7,186</u>	<u>-</u>	<u>38,126</u>
<b>Fund balances:</b>				
<b>Restricted:</b>				
Stabilization by State Statute	-	59,514	-	59,514
Individual Schools	-	-	176,964	176,964
<b>Committed by Board</b>				
	-	118,556	-	118,556
<b>Assigned:</b>				
Subsequent Years Expenditures	-	20,000	-	20,000
<b>Unassigned</b>				
	-	337	-	337
Total fund balance	<u>-</u>	<u>198,407</u>	<u>176,964</u>	<u>375,371</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 30,940</u>	<u>\$ 205,593</u>	<u>\$ 176,964</u>	<u>\$ 413,497</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, 2020**

	<b>Special Revenue Funds</b>			<b>Total</b>	<b>Total</b>
	<b>Federal Grants</b>	<b>Other Special Revenue</b>	<b>Individual Schools</b>	<b>Special Revenue Funds</b>	<b>Non-major Governmental Funds</b>
<b>Revenues</b>					
Gates County:					
County appropriation	\$ -	\$ -	\$ -	\$ -	\$ -
Community Center appropriation	-	243,763	-	243,763	243,763
Total Gates County	-	243,763	-	243,763	243,763
U. S. Government	856,820	-	-	856,820	856,820
State of North Carolina:					
Other	-	356,145	-	356,145	356,145
Total State of North Carolina	-	356,145	-	356,145	356,145
Contributions and donations	-	54,860	52,832	107,692	107,692
Other:					
Interest income	-	2,569	-	2,569	2,569
Sales and use tax refund	-	15,694	-	15,694	15,694
Other grants	-	9,139	-	9,139	9,139
Medicaid reimbursements for services	-	97,264	-	97,264	97,264
Indirect cost allocation	-	39,687	-	39,687	39,687
Miscellaneous revenue	-	38,813	1,974	40,787	40,787
Activity bus	-	73,498	-	73,498	73,498
Rental of school property	-	6,595	-	6,595	6,595
Tuition and fees	-	89,491	-	89,491	89,491
Clubs and organizations	-	-	91,310	91,310	91,310
Fundraisers	-	-	86,484	86,484	86,484
Athletics	-	-	103,334	103,334	103,334
Total other	-	372,750	283,102	655,852	655,852
<b>Total revenues</b>	<b>856,820</b>	<b>1,027,518</b>	<b>335,934</b>	<b>2,220,272</b>	<b>2,220,272</b>
<b>Expenditures:</b>					
Instructional services					
Regular instructional	88,825	15,182	-	104,007	104,007
Special populations	407,672	136,274	-	543,946	543,946
Alternative programs	263,262	225,664	-	488,926	488,926
School leadership	831	51,914	-	52,745	52,745
Co-curricular	-	18,601	-	18,601	18,601
School-based support	1,406	118,842	331,792	452,040	452,040
Total	761,996	566,477	331,792	1,660,265	1,660,265
System-wide support services					
Support and development	18,243	127	-	18,370	18,370

**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, 2020**

	<b>Special Revenue Funds</b>			<b>Total Special Revenue Funds</b>	<b>Total Non-major Governmental Funds</b>
	<b>Federal Grants</b>	<b>Other Special Revenue</b>	<b>Individual Schools</b>		
Special populations support and development	-	1,337	-	1,337	1,337
Alternative programs and services support and development	16,912	-	-	16,912	16,912
Technology support	-	5,172	-	5,172	5,172
Operational support	-	150,203	-	150,203	150,203
Financial and human resources	20,596	1,565	-	22,161	22,161
Accountability	-	1,082	-	1,082	1,082
System-wide pupil support	-	5,459	-	5,459	5,459
Policy, leadership, and public relations	-	796	-	796	796
<b>Total</b>	<b>55,751</b>	<b>165,741</b>	<b>-</b>	<b>221,492</b>	<b>221,492</b>
Ancillary services	-	278,151	-	278,151	278,151
Non-programmed charges	39,073	14,052	-	53,125	53,125
<b>Total expenditures</b>	<b>856,820</b>	<b>1,024,421</b>	<b>331,792</b>	<b>2,213,033</b>	<b>2,213,033</b>
Excess of revenues over (under) expenditures	-	3,097	4,142	7,239	7,239
<b>Other financing sources (uses):</b>					
Transfers to other funds	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	-	3,097	4,142	7,239	7,239
Fund balances, beginning	-	195,310	172,822	368,132	368,132
Fund balances, ending	<b>\$ -</b>	<b>\$ 198,407</b>	<b>\$ 176,964</b>	<b>\$ 375,371</b>	<b>\$ 375,371</b>

**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, 2020**

	2020		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues</b>			
U. S. Government	\$ 1,426,381	\$ 856,820	\$ (569,561)
<b>Expenditures:</b>			
Instructional services			
Regular instructional	371,144	88,825	282,319
Special populations	549,387	407,672	141,715
Alternative programs	333,620	263,262	70,358
School leadership	831	831	-
School-based support	14,012	1,406	12,606
Total	1,268,994	761,996	506,998
System-wide support services			
Support and development	24,653	18,243	6,410
Alternative programs and services			
support and development	16,946	16,912	34
Operational support	6,200	-	6,200
Financial and human resources	28,850	20,596	8,254
Policy, leadership, and public relations	4,457	-	4,457
Total	81,106	55,751	25,355
Non-programmed charges	76,281	39,073	37,208
<b>Total expenditures</b>	1,426,381	856,820	569,561
<b>Net change in fund balance</b>	\$ -	-	\$ -
<b>Fund balance, beginning</b>		-	
<b>Fund balance, ending</b>		\$ -	

**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, 2020**

	2020		Variance Positive (Negative)
	Budget	Actual	
<b>Revenues</b>			
State of North Carolina	\$ 380,014	\$ 356,145	\$ (23,869)
Gates County:			
Community Center appropriation	243,763	243,763	-
Other:			
Indirect cost allocation	39,687	39,687	-
Interest earned on investments	2,569	2,569	-
Miscellaneous revenue	54,506	38,813	(15,693)
Rental of school property	6,595	6,595	-
Activity bus	73,498	73,498	-
Medicaid reimbursements for services	97,264	97,264	-
Other grants	9,139	9,139	-
Sales tax	15,694	15,694	-
Contributions	54,860	54,860	-
Tuition and fees	90,298	89,491	(807)
Total other	444,110	427,610	(16,500)
<b>Total revenues</b>	<b>1,067,887</b>	<b>1,027,518</b>	<b>(40,369)</b>
<b>Expenditures:</b>			
Instructional services			
Regular instructional	22,176	15,182	6,994
Special populations	189,978	136,274	53,704
Alternative programs	230,933	225,664	5,269
School leadership	51,914	51,914	-
Co-curricular	18,601	18,601	-
School-based support	118,842	118,842	-
Total	632,444	566,477	65,967



**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, 2020**

	2020		Variance
	Budget	Actual	Positive (Negative)
System-wide support services			
Support and development	127	127	-
Special populations support and development	1,337	1,337	-
Technology support	5,172	5,172	-
Operational support	150,203	150,203	-
Financial and human resources	1,565	1,565	-
Accountability	1,082	1,082	-
System-wide pupil support	5,582	5,459	123
Policy, leadership, and public relations	73,296	796	72,500
Total	<u>238,864</u>	<u>165,741</u>	<u>72,623</u>
Ancillary services	<u>289,378</u>	<u>278,151</u>	<u>11,227</u>
Non-programmed charges	-	14,052	(14,052)
<b>Total expenditures</b>	<u>1,160,186</u>	<u>1,024,421</u>	<u>135,765</u>
Excess of revenues over expenditures	<u>(92,299)</u>	<u>3,097</u>	<u>(95,396)</u>
<b>Other financing sources (uses)</b>			
Fund balance appropriated	92,299	-	92,299
Total	<u>92,299</u>	<u>-</u>	<u>92,299</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>3,097</u>	<u>\$ 3,097</u>
<b>Fund balance, beginning</b>		195,310	
<b>Fund balance, ending</b>		<u>\$ 198,407</u>	

Gates County Board of Education, North Carolina  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
School Food Service Fund  
For the Year Ended June 30, 2020

	2020		Variance Positive (Negative)
	Budget	Actual	
Operating revenues, food sales	\$ 157,384	\$ 157,864	\$ 480
Operating expenditures:			
Business support services:			
Purchase of food	-	264,088	-
Donated commodities	-	63,919	-
Salaries and benefits	-	558,050	-
Materials and supplies	-	50,084	-
Contracted services	-	17,269	-
Travel	-	185	-
Utilities	-	1,521	-
Other	-	2,871	-
Total operating expenditures	921,878	957,987	(36,109)
Operating loss	(764,494)	(800,123)	(35,629)
Nonoperating revenues (expenditures):			
Federal reimbursements	669,441	671,506	2,065
Federal commodities	44,000	63,919	19,919
Sales tax refund	401	401	-
Interest earned	8	8	-
Contributions and donations	350	350	-
Rental of school property	790	790	-
Depreciation expense	(11,000)	-	11,000
Total nonoperating revenues (expenditures)	703,990	736,974	32,984
Excess of revenues over (under) expenditures before other financing sources	(60,504)	(63,149)	(2,645)
Other financing sources:			
Transfer from other funds	60,504	149,121	88,617
Total other financing sources	60,504	149,121	88,617
Excess of revenues and other sources over (under) expenditures	\$ -	85,972	\$ 85,972
Reconciliation of modified accrual to full accrual:			
Reconciling items:			
Depreciation		(8,608)	
Net OPEB asset		250	
Net pension liability		(7,609)	
Net OPEB liability		(45,520)	
Deferred outflows		(2,660)	
Deferred inflows		59,102	
Increase in inventory		20,184	
Decrease in accrued vacation pay		(6,026)	
Change in net position (full accrual)		\$ 95,085	

**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, 2020**

	2020		Variance
	Budget	Actual	Positive (Negative)
Operating revenues:			
Child care fees	\$ 225,491	\$ 227,891	\$ 2,400
Other operating revenues	1,959	1,959	-
Total operating revenues	227,450	229,850	2,400
Operating expenditures:			
Regular community service:			
Salaries and benefits	226,635	262,556	(35,921)
Purchase of food	22,500	18,944	3,556
Materials and supplies	6,401	4,750	1,651
Workshops	212	-	212
Travel	600	415	185
Other	466	465	1
Total operating expenditures	256,814	287,130	(30,316)
Operating loss	(29,364)	(57,280)	(27,916)
Nonoperating revenues:			
DHHS-COVID-19 Bonus Reimbursements	20,303	20,303	-
DHHS-COVID-19 Operational Grant	9,061	9,061	-
Total nonoperating revenues	29,364	29,364	-
Excess of revenues over (under) expenditures before other financing sources	-	(27,916)	(27,916)
Other financing sources:			
Transfer from other funds	-	35,921	35,921
Total other financing sources	-	35,921	35,921
Excess of revenues and other sources over (under) expenditures	\$ -	8,005	\$ 8,005
Reconciliation of modified accrual to full accrual:			
Reconciling items:			
Net OPEB asset		83	
Net pension liability		(2,536)	
Net OPEB liability		(15,173)	
Deferred outflows		(887)	
Deferred inflows		19,700	
Decrease in accrued vacation pay		8,201	
Change in net position (full accrual)		\$ 17,393	

DRAFT

COMPLIANCE SECTION

# **DONNA H. WINBORNE** CPA, P.C.

## CERTIFIED PUBLIC ACCOUNTANT

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

#### **Independent Auditor's Report**

To the 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 the Gates County Board of Education, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Gates County Board of Education's basic financial statements and have issued our report thereon dated December 29, 2020.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, I considered Gates County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that I consider to be significant deficiencies.

#### **Compliance and Other Matters**

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



## **Gates County Board of Education's Response to Findings**

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

### **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.

 Paula H. Wilborne, CPA, P.C.

Edenton, North Carolina

December 29, 2020

DRAFT

# DONNA H. WINBORNE

CPA, P.C.

## CERTIFIED PUBLIC ACCOUNTANT

### 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

#### Independent Auditor's Report

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, North Carolina, 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, 2020. Gates County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

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

#### Auditor's Responsibility

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, the 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, 2020.

#### Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-002. My opinion on each major federal program is not modified with respect to this matter.

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

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

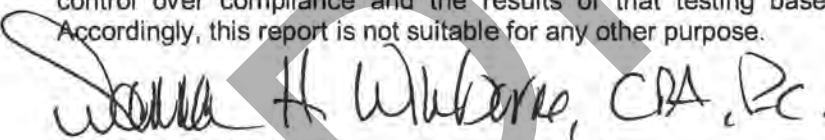
Management of Gates County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing the audit of compliance, I considered Gates County Board of Education's internal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

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-002, which I consider to be a significant deficiency.

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

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.

 Susan H. Wilkins, CPA, PC.

Edenton, North Carolina  
December 29, 2020



# DONNA H. WINBORNE CPA, P.C.

## CERTIFIED PUBLIC ACCOUNTANT

### 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

#### Independent Auditor's Report

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, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Gates County Board of Education's major state programs for the year ended June 30, 2020. 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 the 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), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Gates County Board of Education's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major state program. However, the 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, 2020.

#### Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-003 and 2020-004. My opinion on each major state program is not modified with respect to this matter.

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

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

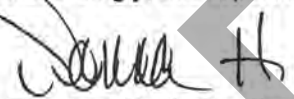
Management of Gates County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing the audit of compliance, I considered Gates County Board of Education's internal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

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2020-003 and 2020-004, which I consider to be significant deficiencies.

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

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.

 Susan H. Wilborne, CPA-P.C.  
Edenton, North Carolina  
December 29, 2020

Gates County Board of Education, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020

**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>
10.553, 10.555, 10.559	Child Nutrition 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, 2020

**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

Career Technical Education - State Months of Employment

Public School Capital Building Fund - Needs based grant

**Section II. Financial Statement Findings**

**FINDING: 2020-001**

**SIGNIFICANT DEFICIENCY**

Criteria: North Carolina General Statutes 115C-441 states that no obligation may be incurred unless the budget resolution includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay for that obligation in the current fiscal year. Evidence that the budget includes the appropriation is generally in the form of a purchase order. Evidence that a sufficient balance remains to cover an expenditure is provided by the finance officer's preaudit as required in N.C.G.S. 115C-441(a)(1).

Condition : During our testing of expenditures, we noted instances within the State Public School Fund and the Child Nutrition Fund in which there was no evidence of a preaudit that included the language required by N.C.G.S. 115C-441(a)(1).

Effect: The Board was not in compliance with N.C.G.S. 115C-441.

Cause: Formal documentation of the preaudit function was not always completed.

Questioned Costs: There are no questioned costs associated with this finding.

Context: Samples were selected for testing from all funds. We noted that there is constant communication between the finance staff, the Superintendent, and the various program directors with the authority to make purchases.

**Gates County Board of Education, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020**

**Section II. Financial Statement Findings (contd.)**

Recommendation: We recommend that the procedures set forth in the N.C.G.S. be followed. Having a stamp maintained by the finance officer with the preaudit language and utilizing check request forms and expense reimbursement forms that are pre-printed with the proper language including a place for signature can also be helpful.

Views of responsible officials and planned corrective actions: The Board agrees with the finding and has implemented the recommended procedures set forth in the NCGS and in Board policy. All instances identified occurred prior to issuance of last year's audit report and implementation of the consequent Corrective Action Plan.

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

**U.S. Department of Agriculture**

Passed through the N.C. Dept. of Public Instruction

Program Names: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children

CFDA#'s: 10.553, 10.555, 10.559

**FINDING: 2020-002**

**SIGNIFICANT DEFICIENCY**

Criteria: North Carolina General Statutes 115C-441 states that no obligation may be incurred unless the budget resolution includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay for that obligation in the current fiscal year. Evidence that the budget includes the appropriation is generally in the form of a purchase order. Evidence that a sufficient balance remains to cover an expenditure is provided by the finance officer's preaudit as required in N.C.G.S 115C-441(a)(1).

Condition : During our testing of expenditures, we noted instances within the Child Nutrition Fund in which there was no evidence of a preaudit that included the language required by N.C.G.S.115C-441(a)(1).

Effect: The Board was not in compliance with N.C.G.S. 115C-441.

Cause: Formal documentation of the preaudit function was not always completed.

Questioned Costs: There are no questioned costs associated with this finding.

Context: Samples were selected for testing from all funds. We noted that there is constant communication between the finance staff, the Superintendent, and the various program directors with the authority to make purchases.

Recommendation: We recommend that the procedures set forth in the N.C.G.S. be followed. Having a stamp maintained by the finance officer with the preaudit language and utilizing check request forms and expense reimbursement forms that are pre-printed with the proper language including a place for signature can also be helpful.

Views of responsible officials and planned corrective actions: The Board agrees with the finding and has implemented the recommended procedures to ensure compliance with procedures set forth in the NCGS and in Board policy. All instances identified occurred prior to issuance of last year's audit report and implementation of the consequent Corrective Action Plan.

**Gates County Board of Education, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020**

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

**FINDING: 2020-003**

**SIGNIFICANT DEFICIENCY**

Criteria: North Carolina General Statutes 115C-441 states that no obligation may be incurred unless the budget resolution includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay for that obligation in the current fiscal year. Evidence that the budget includes the appropriation is generally in the form of a purchase order. Evidence that a sufficient balance remains to cover an expenditure is provided by the finance officer's preaudit as required in N.C.G.S. 115C-441(a)(1).

Condition : During our testing of expenditures, we noted instances within the State Public School Fund in which there was no evidence of a preaudit that included the language required by N.C.G.S. 115C-441(a)(1).

Effect: The Board was not in compliance with N.C.G.S. 115C-441.

Cause: Formal documentation of the preaudit function was not always completed.

Questioned Costs: There are no questioned costs associated with this finding.

Context: Samples were selected for testing from all funds. We noted that there is constant communication between the finance staff, the Superintendent, and the various program directors with the authority to make purchases.

Recommendation: We recommend that the procedures set forth in the N.C.G.S. be followed. Having a stamp maintained by the finance officer with the preaudit language and utilizing check request forms and expense reimbursement forms that are pre-printed with the proper language including a place for signature can also be helpful.

Views of responsible officials and planned corrective actions: The Board agrees with the finding and has implemented the recommended procedures to ensure compliance with procedures set forth in the NCGS and in Board policy. All instances identified occurred prior to issuance of last year's audit report and implementation of the consequent Corrective Action Plan.

**FINDING: 2020-004**

**SIGNIFICANT DEFICIENCY**

**Special Tests and Provisions**

Criteria: Local Education Agencies should comply with all aspects of Session Law 2011-147, Gfellar-Waller Concussion Awareness Act. This includes the requirement that school employees, first responders, volunteers, and students must sign the concussion and head injury information sheet before participating in interscholastic athletic activities including tryouts, practices, or competition.

Condition : At Gates County Middle School, we noted the following: 7 coaches - missing forms, 7 students - missing forms, 11 students - signed after start date, 3 students - no student signature or date on forms, 2 students - incorrect year on form, 1 student - no student or parent signature or date on form, 1 student - form not dated, 1 student - no parent signature or date on form

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

**Gates County Board of Education, North Carolina  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020**

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

**Cause:** Personnel did not verify that each student athlete had a concussion form signed by both the parent and the student.

**Questioned Costs:** There are no questioned costs associated with this finding.

**Context:** All information sheets for the school system were examined.

**Recommendation:** A procedure should be established to verify and document that a signed and dated information sheet is on file for each school employee, first responder, volunteer, and student prior to participation. The forms for students should be completed in full and signed and dated by both the parent and the student. If the student turns in a form late, the date they actually begin participating should be documented.

**Views of responsible officials and planned corrective actions:** The Board agrees with the finding. Gates County Schools will be fully implementing a software called RankOne to make sure all the required documents have been signed and dated. This software has been implemented at the high school level with great results for the past several years. It will now be implemented at the middle school level for the start of the 2020-2021 school year. Our Principals, Athletic Directors, and Coaches will have access to this software. Any student without proper signed documentation will be flagged in the system and everyone that has access will be notified.

**Corrective Action Plan  
Year Ended June 30, 2020**

***Findings 2020-001 and 2020-003***

**SIGNIFICANT DEFICIENCY**

**Child Nutrition Fund and State Public School Fund**

**Criteria:** North Carolina General Statute 115C-441 states that no obligation may be incurred unless the budget resolution includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay for that obligation in the current fiscal year. Evidence that the budget includes the appropriation is generally in the form of a purchase order. Evidence that a sufficient balance remains to cover an expenditure is provided by the finance officer's preaudit as required in N.C.G.S. 115C-441(a)(1).

**Condition:** During testing of expenditures, the audit firm noted instances within the Child Nutrition Fund and State Public School Fund in which there was no evidence of a preaudit that included the language required by N.C.G.S. 115C-441(a)(1).

**Effect:** The Board was not in compliance with N.C.G.S. 115C-441.

**Cause:** Formal documentation of the preaudit function was not always completed.

**Questioned Costs:** There are no questioned costs associated with these findings.

**Context:** Samples were selected for testing from all funds. The audit firm noted that there is constant communication between the finance staff, the Superintendent, and the various program directors with the authority to make purchases.

**Recommendation:** The procedures set forth in the N.C.G.S. should be followed. Having a stamp maintained by the finance officer with the preaudit language and utilizing check request forms and expense reimbursement forms that are pre-printed with the proper language including a place for signature can also be helpful.

**Views of responsible officials and planned corrective actions:** The Board agrees with the findings and has implemented the recommended procedures to ensure compliance with procedures set forth in the NCGS and in Board policy. All instances identified occurred prior to issuance of last year's audit report and implementation of the consequent Corrective Action Plan.



***Finding 2020-002***

**SIGNIFICANT DEFICIENCY**

**Program Names/CFDA#’s:** School Breakfast Program (10.553), National School Lunch Program (10.555), Summer Food Service Program for Children (10.559)

**Federal Agency/Pass-Through Entity:** U.S. Department of Agriculture passed through N.C. Department of Public Instruction

**Criteria:** North Carolina General Statute 115C-441 states that no obligation may be incurred unless the budget resolution includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay for that obligation in the current fiscal year. Evidence that the budget includes the appropriation is generally in the form of a purchase order. Evidence that a sufficient balance remains to cover an expenditure is provided by the finance officer’s preaudit as required in N.C.G.S. 115C-441(a)(1).

**Condition:** During testing of expenditures, the audit firm noted instances within the Child Nutrition Fund in which there was no evidence of a preaudit that included the language required by N.C.G.S. 115C-441(a)(1).

**Effect:** The Board was not in compliance with N.C.G.S. 115C-441.

**Cause:** Formal documentation of the preaudit function was not always completed.

**Questioned Costs:** There are no questioned costs associated with this finding.

**Context:** Samples were selected for testing from all funds. The audit firm noted that there is constant communication between the finance staff, the Superintendent, and the various program directors with the authority to make purchases.

**Recommendation:** The procedures set forth in the N.C.G.S. should be followed. Having a stamp maintained by the finance officer with the preaudit language and utilizing check request forms and expense reimbursement forms that are pre-printed with the proper language including a place for signature can also be helpful.

**Views of responsible officials and planned corrective actions:** The Board agrees with the finding and has implemented the recommended procedures to ensure compliance with procedures set forth in the NCGS and in Board policy. All instances identified occurred prior to issuance of last year’s audit report and implementation of the consequent Corrective Action Plan.



***Finding 2020-004***

**SIGNIFICANT DEFICIENCY**

**Special Tests and Provisions**

**Criteria:** Local Education Agencies should comply with all aspects of Session Law 2011-147, Gfellar-Waller Concussion Awareness Act. This includes the requirement that school employees, first responders, volunteers, and students must sign the concussion and head injury information sheet before participating in interscholastic athletic activities including tryouts, practices, or competition.

**Condition:** At Gates County Middle School, the audit firm noted the following: 7 coaches – missing forms, 7 students – missing forms, 11 students – signed after start date, 3 students – no student signature or date on forms, 2 students – incorrect year on form, 1 student – no student or parent signature or date on form, 1 student – form not dated, 1 student – no parent signature or date on form.

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

**Cause:** Personnel did not verify that each student athlete had a concussion form signed by both the parent and the student.

**Questioned Costs:** There are no questioned costs associated with this finding.

**Context:** All information sheets for the school system were examined.

**Recommendation:** A procedure should be established to verify and document that signed and dated information sheet is on file for each school employee, first responder, volunteer, and student prior to participation. The forms for students should be complete in full and signed and dated by both the parent and the student. If the student turns in a form late, the date they actually begin participating should be documented.

**Views of responsible officials and planned corrective actions:** The Board agrees with the finding. Gates County Schools will be fully implementing a software called RankOne to make sure all the required documents have been signed and dated. This software has been implemented at the high school level with great results for the past several years. It will now be implemented at the middle school level for the start of the 2020-2021 school year. Our Principals, Athletic Directors, and Coaches will have access to this software. Any student without the proper signed documentation will be flagged in the system and everyone that has access will be notified.

**Gates County Board of Education, North Carolina  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2020**

**Finding: 2019-001**

Status: This finding is repeated.

**Finding: 2019-002**

Status: This finding is repeated.

DRAFT

Gates County Board of Education, North Carolina  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2020

<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			
School Nutrition	21.019	PRC 125	\$ 68,718
Total U. S. Department of Treasurer			68,718
<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	63,919
Non-Cash Assistance			63,919
Cash Assistance			
Passed-through the N.C. Department of Public Instruction:			
School Breakfast Program	10.553	PRC 035	\$ 102,820
National School Lunch Program	10.555	PRC 035	218,281
School Snack Program	10.555	PRC 035	6,140
Summer Food Service Program for Children	10.559	PRC 035	3,054
COVID-19 - Unanticipated School Closures 2019-20	10.559		338,724
Total Cash Assistance			669,019
Total Child Nutrition Cluster:			732,938
Total School Nutrition Program (Note 3)			732,938
Total U. S. Department of Agriculture			732,938
<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	278,026
Title I Grants to Local Education Agencies	84.010	PRC 115	38,366
Total Title I Grants for Local Education Agencies (Title I)			316,392
<u>Special Education Cluster:</u>			
Special Education - Grants to States (IDEA, Part B) - Education of the Handicapped	84.027	PRC 080	309,549
IDEA - Children with Disabilities - Risk Pool	84.027	PRC 114	77,933
IDEA VI-B Special Needs Targeted Assistance	84.027	PRC 118	7,437
Special Education - Preschool Grants (IDEA Preschool) - Preschool Handicapped	84.173	PRC 049	21,730
IDEA - Targeted Assistance for Preschool Federal Grant	84.173	PRC 119	2,779
Total Special Education Cluster:			419,428
Special Education - Grants to States (IDEA, Part B) - Special Education State Improvement Grant	84.323	PRC 082	9,397
Career and Technical Education - Capacity Building Grant	84.048	PRC 017	25,716
Total Career and Technical Education - Basic Grants to States			25,716
Educational Technology - Competitive Grant	84.318	PRC 108	19,285
Northeast LEP Consortium	84.365A	PRC 104	71
Supporting Effective Instruction State Grants	84.367	PRC 103	47,272
Rural Education	84.358	PRC 109	19,333
Total U. S. Department of Education			856,894
Total federal assistance			1,658,550

Gates County Board of Education, North Carolina  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2020

<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>State Grants:</b>			
Cash Assistance			
<u>N. C. Department of Public Instruction:</u>			
State Public School Fund			\$ 13,604,555
Driver Training - SPSF		PRC 012	17,440
School Technology Fund - SPSF		PRC 015	19,820
Vocational Education			
- State Months of Education		PRC 013	758,786
- Program Support Funds		PRC 014	73,258
State Breakfast			2,065
COVID-19 Supplemental Funds		PRC 154	68,585
<u>Passed-through Gates County:</u>			
Public School Building Capital Fund			1,684
<u>N. C. Arts Council - Department of Cultural Resources:</u>			
Cultural Resources Grant			3,675
<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			222,268
<u>Department of Juvenile Justice:</u>			
Passed-through Gates County:			
Juvenile Crime Prevention Program			31,022
Total State Assistance			14,903,158
Total federal and State Assistance			\$ 16,561,708

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, 2020. 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