



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

DRAFT

10-20, 2026

Gates County Board of Education
Gatesville, North Carolina

In planning and performing our audit of the financial statements of the Gates County Board of Education for the year ended June 30, 2026, we considered the Board's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, however, we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. This memorandum summarizes our comments and suggestions regarding these items. We reported on the Board's internal control structure in our report dated _____, 2026 on the financial statements of the Gates County Board of Education. This letter does not affect that report.

Fund Balances – General and Other Specific Revenue Funds

The General and Other Specific Revenue Funds have reported combined decreases in fund balance over the past two years totaling \$1,381,330, as follows:

	General Fund	Other Specific Revenue Fund	Combined Total
Fund balance at July 1, 2024	\$ 1,328,417	\$ 144,989	\$ 1,473,406
Decrease in fund balance fiscal year ended:			
June 30, 2025	(553,288)	(185,458)	(738,746)
June 30, 2026	(234,008)	(408,576)	(642,584)
Decrease in fund balance over two-year period	(787,296)	(594,034)	(1,381,330)
Fund balance at June 30, 2026	541,121	(449,045)	92,076
Less restricted fund balance amounts:			
Stabilization by State statute	(433,544)	-	(433,544)
Instructional services	-	(505)	(505)
Unassigned fund balance at June 30, 2026	\$ 107,577	\$ (449,550)	\$ (341,973)

At June 30, 2026 the district reported a deficit fund balance in its Other Specific Revenue Fund of \$449,045, as shown in the table above. N.C. State law G.S. 115C-432(b)(2) states that the full amount of any lawful deficit from the prior fiscal year shall be appropriated in the budget resolution. The Board should immediately review its fiscal year 2026-2027 budget to ensure that it has made an appropriation to cover this deficit.

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As reflected above, the district's combined unassigned fund balance in these two funds at June 30, 2026 is negative \$341,973. Given that the Board's fund balance is at such a critically low level, we recommend that the Board take prompt action to replenish its fund balance reserves to a level that provides the district with adequate resources to meet cash flow needs and also provides reasonable reserves for potential unforeseen or emergency needs that may arise.

The aforementioned comments are intended to be constructive suggestions for improvement in the effectiveness of internal accounting controls and financial records. We will review the status of these comments during our next audit engagement. We have already discussed the comments with various management personnel, and we will be pleased to discuss the matters in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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