

Graham County, North Carolina

Financial Statements

June 30, 2016

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Graham County, North Carolina

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County Attorney

Carolyn Stewart

Register of Deeds

Erma Phillips

Tax Assessor

Graham County, North Carolina

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FINANCIAL SECTION

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Independent Auditors' Report

To the Board of County Commissioners
Graham County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Graham County, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Graham County'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Tourism Development Authority and the Rural Development Authority were not audited in accordance with Governmental Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Graham County, North Carolina, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund and the Economic Development 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 the Management's Discussion and Analysis on pages 7 through 13, the Local Government Employees' Retirement System Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 49 through 50 and 51 through 52, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Graham County, North Carolina. The combining and individual fund statements, budgetary schedules, 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016 on our consideration of Graham County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the 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 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 Graham County's internal control over financial reporting and compliance.

Turner & Company CPAs P.A.

TURNER & COMPANY CPAs P.A.
Murphy, North Carolina

December 1, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Graham County, North Carolina

Management's Discussion and Analysis

June 30, 2016

As Management of Graham County, we offer readers of Graham County's financial statements this narrative overview and analysis of the financial activities of Graham County for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follows this narrative.

Financial Highlights

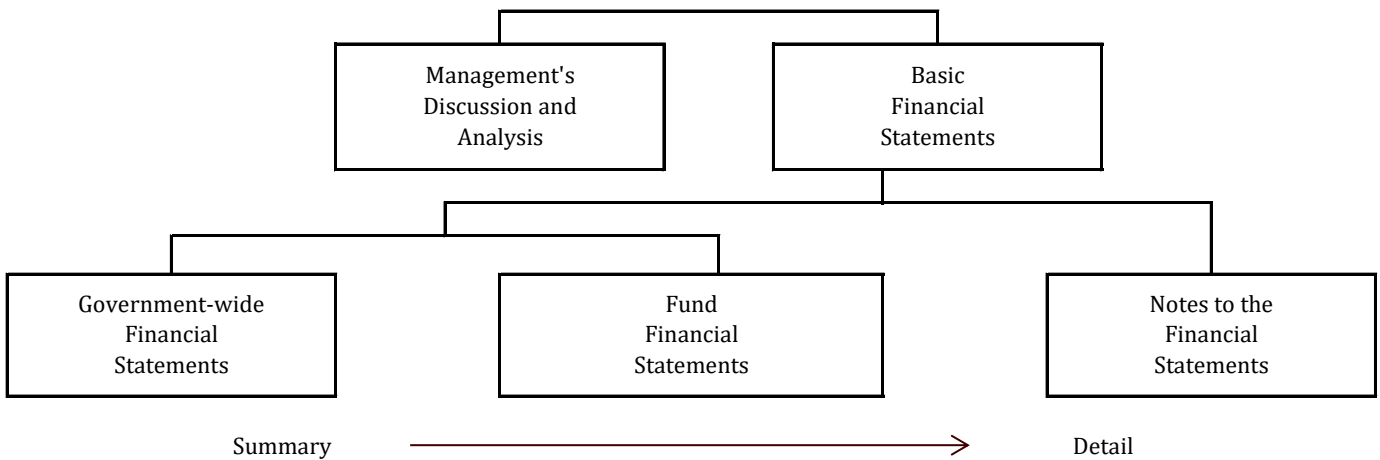
- The assets and deferred outflows of resources of Graham County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$15,483,971 (net position).
- The government's total net position increased by \$2,220,242.
- As of the close of the current fiscal year, Graham County's governmental funds reported combined ending fund balances of \$7,791,203, after a net increase in fund balance of \$311,318, primarily due to management's focus on monitoring spending and maximizing revenue collection. Approximately 36.45 percent of this total amount, or \$2,839,821, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,951,382, or 32.64 percent of total general fund expenditures for the fiscal year.
- Graham County, North Carolina's total debt decreased by \$227,464 (5.16%) during the current fiscal year. Graham County's proceeds from installment purchases were used to replace fund balance that was somewhat depleted by the purchase of the transfer station and for the acquisition of cardiac monitors. The primary factor in the net decrease in debt was the scheduled principal repayments in excess of any current year proceeds.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Graham County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Graham County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 7) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements of Graham County: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the total of the County's assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

Graham County's government-wide statements are divided into two categories: 1) governmental activities and 2) component units. Governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

Graham County, North Carolina had three discretely presented component units; the Graham County Industrial Facility and Pollution Control Financing Authority, the Graham County Travel and Tourism Authority, and Graham County Rural Development Authority.

The Graham County Industrial Facility and Pollution Control Financing Authority is governed by a four member board appointed by the Graham County Board of Commissioners. It exists to issue and service revenue bond debt of private business for economic development purposes.

The Graham County Travel and Tourism Authority (T&T) was created to promote and develop travel and tourism in the area of Graham County. T&T is governed by a seven member board which is appointed by the Graham County Board of Commissioners.

The Graham County Rural Development Authority (RDA) was created to 1) develop recreational facilities, 2) develop agricultural and forestry related processing and marketing facilities operated for public use, 3) to install, improve, or maintain facilities contributing to economic development or conservation of natural resources, and 4) provide safe and sanitary low cost housing. RDA is governed by a five member board which is appointed by the Graham County Board of Commissioners.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Graham County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Graham County can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Graham County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Fiduciary Funds - Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Graham County, North Carolina has four fiduciary funds, all of which are agency funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 24 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the enhanced accounting and financial reporting related to pensions for governments. Required supplementary information can be found beginning on page 48 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,483,971 as of June 30, 2016. The County's net position increased by \$2,220,242 for the fiscal year ended June 30, 2016. One of the largest portions \$10,341,096 (66.79%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Graham County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Graham County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Graham County's net position \$2,244,664 (14.50%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,898,211 is unrestricted.

Graham County, North Carolina's Net Position

Figure 2

	Governmental Activities	
	2016	2015
Current and other assets	\$ 8,499,312	\$ 8,840,948
Capital assets	11,928,105	10,489,753
Deferred outflows of resources	471,081	437,382
Total assets and deferred outflows of resources	20,898,498	19,768,083
Long-term liabilities outstanding	3,516,929	3,660,496
Other liabilities	1,617,820	1,620,760
Deferred inflows of resources	279,778	876,070
Total liabilities and deferred inflows of resources	5,414,527	6,157,326
Net position:		
Net investment in capital assets	10,341,096	9,004,674
Restricted	2,244,664	2,158,148
Unrestricted	2,898,211	2,447,935
Total net position	\$ 15,483,971	\$ 13,610,757

Several particular aspects of the County's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 96.31% (ad valorem), lower than the statewide average of 98.60%, and slightly lower than the county average of 96.47% for counties with populations of 24,999 and below. The percentage collection rate increased slightly due to increased vigilance on the part of the Tax Collector to collect taxes in a timely manner.
- Continued pay down of debt balances positively influenced net position.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget.

Graham County, North Carolina's Changes in Net Position

Figure 3

	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 2,039,657	\$ 1,997,309
Operating grants and contributions	3,637,625	3,617,064
Capital grants and contributions	159,214	31,987
General revenues:		
Property taxes	6,196,316	5,543,307
Other taxes	1,993,920	1,950,468
Grants and contributions not restricted to specific programs	1,062,412	1,023,100
Investment earnings, unrestricted	8,272	9,723
Other	82,890	58,284
Total revenues	15,180,306	14,231,242
Expenses:		
General government	2,677,537	2,450,607
Public safety	4,419,508	4,109,142
Economic and physical development	310,456	200,513
Human services	4,203,000	4,056,591
Cultural and recreational	487,841	444,344
Education	747,578	799,692
Interest on long-term debt	114,144	169,834
Total expenses	12,960,064	12,230,723
Change in net position before transfers and special item	2,220,242	2,000,519
Special item - donated property	-	784,600
Change in net position after transfers and special item	2,220,242	2,785,119
Net position, beginning, restated	13,263,729	10,825,638
Net position, ending	\$ 15,483,971	\$ 13,610,757

Governmental activities. Governmental activities increased the County's net position by \$2,220,242. Key elements of this increase are as follows:

- Property tax revenue increased by a total of \$653,009 (11.78%) as anticipated due to the increase in the property tax rate from \$.46 per hundred to \$.585 per hundred. The actual property tax percentage collection rate decreased due to the increase in the total levy diluting the ratio.
- The \$42,348 increase in charges for services was primarily due to an increase in services provided by the Health Department.
- Grant revenues increased because the County had two active construction projects ongoing during the year.
- Total expenditures increased somewhat due to construction expenditures for capital projects and increased personnel costs.

Financial Analysis of the County's Funds

As noted earlier, Graham County, North Carolina uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Graham County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Graham County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Graham County. At the end of the current fiscal year, Graham County's fund balance available in the General Fund was \$5,423,049 while total fund balance reached \$6,437,365. The Graham County Board of Commissioners has determined that the County should maintain an available fund balance of 8% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 37.12% of general fund expenditures, while total fund balance represents 44.06% of that same amount.

At June 30, 2016, the governmental funds of Graham County reported a combined fund balance of \$7,791,203, a 4.16% increase over last year. The primary reason for this increase was attributed to increases other shared revenues and the increase in the property tax rate.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased all revenues by only \$249,059. Budget amendments were made concurrently as facts and circumstance became known with revenue and expenditure streams. Due to prevailing economic conditions in existence at the time of the adoption of the original budget, the County budgeted more conservatively based on uncertainties as to federal and state budget allocations which had not been finalized.

Capital Asset and Debt Administration

Capital assets. Graham County's capital assets for its governmental activities as of June 30, 2016, total \$11,928,105 (net of accumulated depreciation). These assets include land, construction in progress, buildings, equipment, and vehicles.

Major capital asset transactions during the year included:

- Purchased a building for government use for \$1,512,001.
- Purchased cardiac monitors for \$90,565.
- Purchased a roof and improvements for the Library totaling \$88,737.
- Completed vehicles for the Sheriff's Department totaling \$110,288.
- Purchased vehicles for Transportation for \$57,391.
- Resurfaced tennis courts and purchased a chain length fence and bleachers for the Recreation Department totaling \$37,868.
- Purchased a vehicle and a heat pump for the Health Department totaling \$30,898.
- Purchased a printer for the Mapping Office for \$14,343.
- Purchased plat cabinets for the Register of Deeds for \$19,306.
- Purchased trailers and a vehicle for the Sanitation Department totaling \$47,692.
- Purchased a CAD system for the 911 Fund for \$20,837.
- Purchased a server for Computer Support for \$13,715.
- Purchased mini splints for EMS for \$7,060.
- Constructed a sidewalk at the Community Building for \$6,464.
- Repairs to the Senior Center floor for \$6,232.
- Addition of construction in progress on the Graham County E911 Enhancement/Replacement Capital Project and the Graham County Park totaling \$110,424.

Graham County, North Carolina's Capital Assets (net of depreciation)

Figure 4

Governmental Activities:	2016	2015
Land	\$ 1,766,191	\$ 1,766,191
Construction in progress	110,424	-
Buildings	7,711,672	6,401,873
Other improvements	973,348	879,216
Equipment and furniture	790,126	872,165
Vehicles	576,344	570,308
Total	\$ 11,928,105	\$ 10,489,753

Construction commitments

The County has the following active construction projects as of June 30, 2016:

Project	Spent-to-date	Remaining Commitment
Graham County Park	\$ 44,648	\$ 3,335,752
Graham County E911 Enhancement/Replacement	65,776	455,352
Total	\$ 110,424	\$ 3,791,104

Additional information on the County's capital assets can be found in Note III.A.3 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2016, Graham County, North Carolina had total bonded debt outstanding of \$1,822,000 all of which is debt backed by the full faith credit of the County.

Graham County, North Carolina's Outstanding Debt

Figure 5

Governmental Activities:	2016	2015
General obligation bonds	\$ 1,822,000	\$ 2,067,000
Capital leases	59,732	110,522
Installment purchases	2,301,343	2,233,017
Total	\$ 4,183,075	\$ 4,410,539

Graham County, North Carolina's total debt decreased by \$227,464 (5.16%) during the current fiscal year. Graham County's proceeds from installment purchases were used to replace fund balance that was somewhat depleted by the purchase of the transfer station and for the acquisition of cardiac monitors. The primary factor in the net decrease in debt was the scheduled principal repayments in excess of any current year proceeds.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Graham County is \$79,745,882.

Additional information regarding Graham County, North Carolina's long-term debt can be found in Note III.B.6 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The following reflects the economic situation and outlook of the County.

- The County budgeted a projected increase in property taxes (benefiting from the economic growth) and sales tax revenues. The County will use these increases in revenues to finance programs currently in place.
- County leaders also have continued with stringent controls over spending to help maintain reserves during the current state of the economy.
- The current unemployment rate for Graham County is 6.7% as of September 2016, which is significantly higher than the state average of 4.7 percent.

Budget Highlights for the Fiscal Year Ending June 30, 2017

The property tax rate was maintained at \$.585 to sustain current tax revenue streams. A 3% cost of living adjustment was budgeted for the 2016-2017 year in spite of an overall slight decrease in budgeted expenditures. The County has chosen to appropriate fund balance in the fiscal year 2017 budget to cover any shortfalls in revenue that might occur in the next fiscal year.

The Finance Officer is continuing with a system of internal auditing, especially in departments drawing down federal and state funding to ensure both compliance with federal and state regulations and to determine that all revenue streams are being maximized.

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Graham County, 12 North Main Street, Robbinsville, NC 29771. You can also call (828)-479-7961, visit our website www.grahamcounty.org or send an email to becky.garland@grahamcounty.org for more information.

BASIC FINANCIAL STATEMENTS

Statement of Net Position

June 30, 2016

	Primary	Component Units	
	Government	Travel and	Rural
	Governmental	Tourism Authority	Development
	Activities		Authority
ASSETS			
Cash and cash equivalents	\$ 5,377,285	\$ 187,390	\$ 179,678
Restricted cash and cash equivalents	1,805,824	30,922	-
Investments	5,079	-	-
Receivables, net	423,274	29,070	-
Due from other governments	566,554	8,290	35,000
Due from component unit	70	-	-
Assets held for resale	-	-	11,558
Prepaid items	306,615	-	-
Net pension asset	14,611	-	-
Capital assets:			
Land, improvements, and construction in progress	1,876,615	-	-
Other capital assets, net of depreciation	10,051,490	189	-
Total capital assets	<u>11,928,105</u>	<u>189</u>	<u>-</u>
Total assets	<u>20,427,417</u>	<u>255,861</u>	<u>226,236</u>
DEFERRED OUTFLOWS OF RESOURCES	471,081	-	-
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	329,073	2,442	-
Accrued interest payable	24,572	-	-
Due to primary government	-	70	-
Current portion of long-term liabilities	956,434	-	-
Total current liabilities:	<u>1,310,079</u>	<u>2,512</u>	<u>-</u>
Long-term liabilities:			
Net pension liability	307,741	-	-
Due in more than one year	3,516,929	-	-
Total liabilities	<u>5,134,749</u>	<u>2,512</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	279,778	-	-
NET POSITION			
Net investment in capital assets	10,341,096	189	-
Restricted for:			
Human services	38,319	-	-
Public safety	466,588	-	-
Economic development	869,546	-	-
Register of deeds	97,901	-	-
Stabilization by state statute	725,405	37,360	33,003
Courts	5,549	-	-
USDA Reserve	2,089	-	-
Law enforcement	39,267	-	-
Unrestricted	2,898,211	215,800	193,233
Total net position	<u>\$ 15,483,971</u>	<u>\$ 253,349</u>	<u>\$ 226,236</u>

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

Graham County, North Carolina
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Total	Travel and Tourism Authority	Rural Development Authority
Primary government:								
Governmental Activities:								
General government	\$ 2,677,537	\$ 152,933	\$ -	\$ -	\$ (2,524,604)	\$ (2,524,604)	\$ -	\$ -
Public safety	4,419,508	987,075	351,734	65,776	(3,014,923)	(3,014,923)	-	-
Economic and physical development	310,456	4,890	155,038	-	(150,528)	(150,528)	-	-
Human services	4,203,000	814,657	2,822,616	48,790	(516,937)	(516,937)	-	-
Cultural and recreation	487,841	80,102	106,889	44,648	(256,202)	(256,202)	-	-
Education	747,578	-	201,348	-	(546,230)	(546,230)	-	-
Interest on long-term debt	114,144	-	-	-	(114,144)	(114,144)	-	-
Total governmental activities	<u>\$ 12,960,064</u>	<u>\$ 2,039,657</u>	<u>\$ 3,637,625</u>	<u>\$ 159,214</u>	<u>(7,123,568)</u>	<u>(7,123,568)</u>	<u>-</u>	<u>-</u>
Component units:								
Travel and Tourism Authority	\$ 116,334	\$ -	\$ -	\$ -			\$ (116,334)	\$ -
Rural Development Authority	12,613	-	-	-			-	(12,613)
Total component units	<u>\$ 128,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>(116,334)</u>	<u>(12,613)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					6,196,316	6,196,316	-	-
Local option sales tax					1,551,642	1,551,642	-	-
Other taxes and licenses					442,278	442,278	207,421	-
Grants and contributions not restricted to specific programs					1,062,412	1,062,412	-	-
Investment earnings, unrestricted					8,272	8,272	359	201
Miscellaneous, unrestricted					82,890	82,890	86	1,997
Total general revenues, special items, and transfers					<u>9,343,810</u>	<u>9,343,810</u>	<u>207,866</u>	<u>2,198</u>
Change in net position					2,220,242	2,220,242	91,532	(10,415)
Net position, beginning previously reported					13,610,757	13,610,757	161,817	236,651
Prior period adjustment/restatement					(347,028)	(347,028)	-	-
Net position, beginning as restated					<u>13,263,729</u>	<u>13,263,729</u>	<u>161,817</u>	<u>236,651</u>
Net position, ending					<u>\$ 15,483,971</u>	<u>\$ 15,483,971</u>	<u>\$ 253,349</u>	<u>\$ 226,236</u>

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

Balance Sheet
Governmental Funds
June 30, 2016

	Major				Total Non-Major Funds	Total Governmental Funds
	General	Economic Development Fund	Graham County Park Capital Project Fund	Graham County E 911 Enhancement /Replacement Capital Project Fund		
ASSETS						
Cash and cash equivalents	\$ 5,377,285	\$ -	\$ -	\$ -	\$ -	\$ 5,377,285
Restricted cash	456,572	823,187	-	-	526,065	1,805,824
Investments	5,079	-	-	-	-	5,079
Receivables, net						
Taxes	277,530	-	-	-	-	277,530
Accounts	12,820	-	44,648	54,369	17,281	129,118
Due from other governments	566,131	-	-	-	423	566,554
Due from other funds	112,135	-	-	-	-	112,135
Due from component unit	70	-	-	-	-	70
Prepaid items	306,615	-	-	-	-	306,615
Total assets	<u>\$ 7,114,237</u>	<u>\$ 823,187</u>	<u>\$ 44,648</u>	<u>\$ 54,369</u>	<u>\$ 543,769</u>	<u>\$ 8,580,210</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 329,073	\$ -	\$ -	\$ -	\$ -	\$ 329,073
Due to other funds	-	-	44,648	54,369	13,118	112,135
Total liabilities	<u>329,073</u>	<u>-</u>	<u>44,648</u>	<u>54,369</u>	<u>13,118</u>	<u>441,208</u>
DEFERRED INFLOWS OF RESOURCES						
Property taxes receivable	277,530	-	-	-	-	277,530
Unearned revenue	70,269	-	-	-	-	70,269
Total deferred inflows of resources	<u>347,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>347,799</u>
Fund balances:						
Non Spendable:						
Prepaid items	306,615	-	-	-	-	306,615
Restricted:						
Register of deeds	97,901	-	-	-	-	97,901
Stabilization by state statute	707,701	-	-	-	17,704	725,405
Human services	38,319	-	-	-	-	38,319
Law enforcement	39,267	-	-	-	-	39,267
Public safety	-	-	-	-	466,588	466,588
Economic development	-	823,187	-	-	46,359	869,546
Courts	5,549	-	-	-	-	5,549
USDA reserve	2,089	-	-	-	-	2,089
Committed:						
Tax revaluation	166,413	-	-	-	-	166,413
Assigned						
Subsequent year's expenditures	122,129	-	-	-	-	122,129
Unassigned:						
Total fund balances	<u>6,437,365</u>	<u>823,187</u>	<u>-</u>	<u>-</u>	<u>530,651</u>	<u>7,791,203</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,114,237</u>	<u>\$ 823,187</u>	<u>\$ 44,648</u>	<u>\$ 54,369</u>	<u>\$ 543,769</u>	<u>\$ 8,580,210</u>

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

Balance Sheet
Governmental Funds
June 30, 2016

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

Total Fund Balance, Governmental Funds	7,791,203
Charges related to advance refunding bond issue	35,168
Interest receivable accrued on property taxes are not current financial resources and therefore are not reported in the funds	16,626
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	11,928,105
Net pension asset	14,611
Deferred outflows of resources related to pensions are not reported in the funds	435,913
Net pension liability	(307,741)
Deferred inflows of resources for taxes	277,530
Deferred inflows of resources related to pensions are not reported in the funds	(209,509)
Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds	
Accrued interest payable	(24,572)
Long-term obligations	<u>(4,473,363)</u>
Net position of governmental activities	<u><u>\$ 15,483,971</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2016

	Major				Total Non-Major Funds	Total Governmental Funds
	General Fund	Economic Development Fund	Graham County Park Capital Project Fund	Graham County E 911 Enhancement /Replacement Capital Project Fund		
REVENUES						
Ad valorem taxes	\$ 6,162,276	\$ -	\$ -	\$ -	\$ -	\$ 6,162,276
Local option sales taxes	1,551,642	-	-	-	-	1,551,642
Other taxes and licenses	442,278	-	-	-	-	442,278
Unrestricted intergovernmental	1,062,412	-	-	-	-	1,062,412
Restricted intergovernmental	3,306,128	-	44,648	65,776	253,163	3,669,715
Other restricted revenue	86,714	-	-	-	-	86,714
Permits and fees	122,872	-	-	-	-	122,872
Sales and services	1,911,925	-	-	-	-	1,911,925
Investment earnings	7,029	825	-	-	418	8,272
Miscellaneous	85,591	-	-	-	45,270	130,861
Total revenues	14,738,867	825	44,648	65,776	298,851	15,148,967
EXPENDITURES						
Current:						
General government	4,140,258	-	-	-	-	4,140,258
Public safety	4,634,169	-	-	65,776	55,329	4,755,274
Economic and physical development	263,714	-	-	-	45,768	309,482
Human services	4,309,819	-	-	-	-	4,309,819
Cultural and recreational	448,452	-	44,648	-	-	493,100
Intergovernmental:						
Education	1,122,446	-	-	-	-	1,122,446
Special appropriations	251,653	-	-	-	-	251,653
Total expenditures	15,170,511	-	44,648	65,776	101,097	15,382,032
Excess (deficiency) of revenues over expenditures	(431,644)	825	-	-	197,754	(233,065)
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt	544,383	-	-	-	-	544,383
Total other financing sources (uses)	544,383	-	-	-	-	544,383
Net change in fund balance	112,739	825	-	-	197,754	311,318
Fund balance, beginning						
as previously reported	6,411,836	822,362	-	-	331,992	7,566,190
Prior period adjustment	(87,210)	-	-	-	905	(86,305)
Fund balances, beginning as restated	6,324,626	822,362	-	-	332,897	7,479,885
Fund balances, ending	\$ 6,437,365	\$ 823,187	\$ -	\$ -	\$ 530,651	\$ 7,791,203

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

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities**

For the Year Ended June 30, 2016

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

Net changes in fund balances - total governmental funds	\$ 311,318
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Capital outlay	2,173,821
Depreciation	(732,768)
Cost of capital asset disposed of during the year, not recorded in the fund statements	(2,701)
Contributions to the pension plan in the current fiscal year not included on the Statement of Activities	411,054
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>	
Change in unavailable revenue for tax revenues	34,040
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Proceeds from long-term debt	(544,383)
Debt service repayments	771,847
<p>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.</p>	
Compensated absences	(27,424)
Pension expense	(160,571)
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	<u>(13,991)</u>
Total changes in net position of governmental activities	<u><u>\$ 2,220,242</u></u>

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

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

	General Fund				Economic Development Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES								
Ad valorem taxes	\$ 6,144,164	\$ 6,144,164	\$ 6,162,276	\$ 18,112	\$ -	\$ -	\$ -	\$ -
Local option sales taxes	1,495,100	1,495,100	1,551,642	56,542	-	-	-	-
Other taxes and licenses	319,400	319,400	442,278	122,878	-	-	-	-
Unrestricted intergovernmental	955,000	955,000	1,062,412	107,412	-	-	-	-
Restricted intergovernmental	3,912,236	4,090,256	3,306,128	(784,128)	-	-	-	-
Other restricted revenues	25,054	65,054	86,714	21,660	150	150	-	(150)
Permits and fees	107,000	107,000	122,872	15,872	-	-	-	-
Sales and services	1,709,824	1,725,024	1,911,925	186,901	-	-	-	-
Investment earnings	6,035	6,035	6,871	836	-	-	825	825
Miscellaneous	6,100	21,939	85,591	63,652	-	-	-	-
Total revenues	14,679,913	14,928,972	14,738,709	(190,263)	150	150	825	675
EXPENDITURES								
Current:								
General government	2,912,688	4,346,525	4,132,261	214,264	-	-	-	-
Public safety	4,971,189	5,186,209	4,634,169	552,040	-	-	-	-
Economic and physical development	150,571	297,665	263,714	33,951	150	150	-	150
Human services	5,325,770	5,363,491	4,309,819	1,053,672	-	-	-	-
Cultural and recreational	470,305	484,339	448,452	35,887	-	-	-	-
Special appropriations	1,371,965	1,393,528	1,374,099	19,429	-	-	-	-
Total expenditures	15,202,488	17,071,757	15,162,514	1,909,243	150	150	-	150
Revenues over (under) expenditures	(522,575)	(2,142,785)	(423,805)	1,718,980	-	-	825	825

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

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

	General Fund				Economic Development Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OTHER FINANCING SOURCES (USES)								
Transfers out	(15,000)	(15,000)	(15,000)	-	-	-	-	-
Proceeds from long term debt issue	392,500	392,500	544,383	151,883	-	-	-	-
Total other financing sources (uses)	377,500	377,500	529,383	151,883	-	-	-	-
Fund balance appropriated/(additions)	145,075	1,765,285	-	(1,765,285)	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	105,578	<u>\$ 105,578</u>	<u>\$ -</u>	<u>\$ -</u>	825	<u>\$ 825</u>
Fund balance, beginning as previously reported			6,252,584				822,362	
Prior period adjustment			(87,210)				-	
Fund balance, beginning as restated			<u>6,165,374</u>				<u>822,362</u>	
Fund balance, ending			<u>\$ 6,270,952</u>				<u>\$ 823,187</u>	
A legally budgeted Tax Revaluation is consolidated into the General Fund for reporting purposes:								
Investment earnings			158					
Transfer in from General Fund			15,000					
Expenditures			(7,997)					
Fund balance, beginning			<u>159,252</u>					
Fund balance, ending (Exhibit 4)			<u>\$ 6,437,365</u>					

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

Graham County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2016

Exhibit 7

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 29,753
 LIABILITIES	
Liabilities:	
Miscellaneous liabilities	\$ 28,614
Due to Town of Robbinsville	-
Due to Town of Santeetlah	-
Due to Town of Fontana	-
Intergovernmental payable -State of North Carolina	1,139
Total liabilities	\$ 29,753

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

Graham County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

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Graham County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

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Graham County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies

The accounting policies of Graham County and its discretely presented component units 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 County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The discretely presented component units are reported in separate columns of the County's financial statements in order to emphasize that they are legally separate from the County.

Discretely Presented Component Units

Graham County Industrial Facility and Pollution Control Financing Authority - Graham County Industrial Facility and Pollution Control Financing Authority (the *Authority*) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a four member board of directors, all of whom are appointed by the Graham County Board of Commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. The Authority does not issue separate financial statements.

Graham County Rural Development Authority - The Graham County Rural Development Authority (RDA) was created to 1) develop recreational facilities, 2) develop agricultural and forestry related processing and marketing facilities operated for public use, 3) to install, improve or maintain facilities contributing to economic development, and 4) provide safe and sanitary low cost housing. RDA is governed by a five member board of directors, all of whom are appointed by the County. The County can remove any board member of RDA with cause. RDA, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the Authority may be obtained from the entity's administrative offices at Graham County Rural Development Authority, 12 North Main Street, Robbinsville, NC 28771.

Graham County Travel and Tourism Authority - The Graham County Travel and Tourism Authority (T&T) was created to promote activities and programs which encourage travel and tourism in the area. T&T is governed by a seven member board of directors, all of whom are appointed by the County. T&T can remove any commissioner of T&T with cause. T&T, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for T&T may be obtained from the entity's administrative offices at Graham County Travel and Tourism Authority, 12 North Main Street, Robbinsville, NC 28771.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus - Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government net position (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The County had no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County'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, including all taxes, are presented as general revenues.

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

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund.

Economic Development Fund ("EDC"). This fund accounts for the accumulation of resources from a capital lease with Stanley Furniture Company, Inc. for equipment purchased through a grant with Golden Leaf Foundation. The resources are designated for the promotion of economic development in Graham County.

Graham County Park Capital Project Fund. This fund accounts for the construction of the PARTF Recreation Park located at the former Stanley Furniture Company facility funded by a grant from the Parks and Recreation Trust Fund.

Graham County E911 Enhancement/Replacement Capital Project Fund. This fund accounts for the construction of a new 911 center to replace the existing primary PSAP center. This project will also serve to enhance current equipment and software necessary for the 911 center operations. The project is funded by a grant from North Carolina 911 Board.

Additionally, the County reports the following type of fiduciary fund:

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County; the 4-H Club Fund, which accounts for the monies deposited for the 4-H activities; and the Deed of Trust Fee Fund, which accounts for (a) five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and is remitted to the State Treasurer on a monthly basis; (b) five dollars of each marriage license fee, which is remitted to the North Carolina Children's Trust Fund and (c) thirty dollars of each license fee, which is remitted to the North Carolina Department of Administration for Domestic Violence Centers.

Non-major Funds. The County maintains three legally budgeted funds. The Emergency Telephone System Fund, the Low-income Housing Repair or Rehabilitation Grant Project Fund, and the ARC Rural Center - Stanley Furniture Building Reuse Fund are reported as non-major special revenue funds.

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide and fiduciary fund financial statements are reported using 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 County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, 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. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because, generally, they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone, and Revaluation Special Revenue Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Funds, which are presented with the Capital Projects and lapse at the end of each respective project.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. The governing board must approve all amendments. 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.

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the County, T&T, and RDA are made in board-designated official depositories and are secured as required by G.S. 159-31. The County, T&T, and RDA may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County, T&T, and RDA may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County, T&T, and RDA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The County, T&T, and RDA's investments are carried at fair value as determined by quoted market prices. The securities of the NC Capital Management Trust Cash Portfolio, a SEC-registered 2a-7 external investment pool is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

Graham County pools moneys from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are considered cash and cash equivalents. Graham County considers demand deposits and investments purchased with a maturity date of 90 days or less at time of purchase to be cash and cash equivalents.

3. Restricted Assets

Cash restricted for special purposes has been segregated from cash available for general operations. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. Money in the Revaluation Fund is also classified as a restricted asset because its use is restricted per North Carolina General Statute 153A-150. The unexpended grant proceeds that are restricted by revenue source are also classified as restricted assets.

Graham County Restricted Cash			
Governmental Activities			
General Fund	Facility Fund	\$	5,549
	Register of Deeds AE&P Fund		97,901
	Duke Energy STW/Shareholder FDS		29,484
	Unexpended grant proceeds - transit		38,319
	Sheriff Impound Fees		3,211
	Sheriff Concealed Permits		35,405
	4H Youth Education		17,835
	Sheriff's Office Trust Account		651
	Sheriff NC Drug Tax Account		38,840
	Sheriff Federal Drug Account		1,867
	Soil and Water Conservation		19,008
	USDA Reserve Account - condition of loan		2,089
	Tax revaluation		166,413
			456,572
Total General Fund Restricted Cash			456,572
EDC Special Revenue Fund	Capital lease revenues		823,187
Emergency Telephone Fund	911 emergency service		475,879
CDBG Scattered Site Fund	Unexpended grant proceeds		48,746
Rural Center Fund	Unexpended grant proceeds		1,440
			1,440
Total Governmental Activities Restricted Cash		\$	1,805,824

Discretely presented component units

Graham County Travel & Tourism Authority			
Governmental Activities			
General Fund	Capital Reserve	\$	30,922
			30,922

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2015. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventory and Prepaid Items

The inventories of the County are valued at cost (first-in, first-out), which approximates market cost. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Discretely presented component units

Graham County Rural Development Authority

Graham County Rural Development Authority's inventory consists of assets held for resale in the form of land and is valued on a specific identification of cost basis.

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The County capitalizes all assets with a minimum cost of \$5,000 and an estimated useful life of two years or greater. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Graham County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Graham County Board of Education.

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Equipment and furniture	3 - 10
Vehicles and motorized equipment	3 - 10

Land and construction in progress are not depreciated.

Capital assets of T&T are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Furniture and fixtures	7
Equipment	5 - 10
Vehicles	5

Land and construction in progress are not depreciated.

8. Deferred outflows/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 County has three items that meets this criterion - a charge on refunding that had previously been classified as an asset, pension related deferrals, and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the statement of financial position can also report 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 County has three items that meet the criterion for this category - property taxes receivable, prepaid taxes, and other pension related deferrals.

9. 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' statement of net position.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

10. Compensated Absences

The vacation policy of the County provides for the accumulation of up to twenty (20) days earned vacation leave with such leave being fully vested when earned. For the County's government-wide statements, an expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned. Compensated absences typically have been liquidated in the general fund and are accounted for on a last-in, first-out basis, assuming that employees are taking leave time as it is earned.

The sick leave policy of the County provides for 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 County has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances**Net Position**

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

Fund Balances

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 balance as follows:

Non spendable 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 remain intact.

Restricted Fund Balance - This classification includes revenue sources 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 per G.S. 159-8 (a).

Restricted for Register of Deeds - portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.

Restricted for Human Services - portion of fund balance constituting the excess of revenues over expenditures for each fiscal year in Public Transit operations. This reservation is dictated by grant agreements held with the North Carolina Department of Transportation and the Federal Transit Authority. The funds are available for appropriation but are legally restricted for transit purposes.

Restricted for Law Enforcement - portion of fund balance that is restricted by revenue source to pay for equipment used in law enforcement activities.

Restricted for Public Safety - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.

Restricted for Economic Development - portion of fund balance that is restricted by revenue source for economic development.

Restricted for School Capital - portion of fund balance that can only be used for School Capital per G.S. 159-18-22.

Restricted for Courts - portion of fund balance that is restricted by revenue source for maintenance of court facilities.

Restricted for USDA Reserve - portion of fund balance that is restricted to satisfy the condition of a loan from the USDA.

Committed Fund Balance - Portion of fund balance that can only be used for specific purposes imposed by majority vote of Graham County's governing body (highest level of decision making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Committed for Tax Revaluation - portion of fund balance that can only be used for Tax Revaluation.

Assigned Fund Balance - portion of fund balance that the Graham County governing board has budgeted.

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

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Graham County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, and county funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the County's best interest.

12. Defined Benefit Pension Plans

The County participates in three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees’ Retirement System (LGERS) and the Registers of Deeds’ Supplemental Pension Fund (RODSPF) (collectively, the “state-administered defined benefit pension plans”). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans’ fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County’s employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

13. Reclassifications

Certain amounts in the prior year have been reclassified to conform with the current year presentation.

14. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

15. Major Taxpayer

The County has one major taxpayer with property valued at \$209,132,720.

E. 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 a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$7,692,768 consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 19,534,808
Less accumulated depreciation	(7,606,703)
Net capital assets	<u>11,928,105</u>
Net pension asset	14,611
Deferred outflows of resources related to pensions are not reported in the funds	435,913
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not current financial resources	35,168
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	16,626
Deferred inflows of resources for taxes reported in the fund statements but not the government-wide statements	277,530
Deferred inflows of resources related to pensions are not reported in the fund statements	(209,509)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(4,183,075)
Compensated absences	(290,288)
Net pension liability	(307,741)
Accrued interest payable	(24,572)
Total adjustment	<u>\$ 7,692,768</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 a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$1,908,924 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,173,821
Cost of disposed capital asset not recorded in fund statements	(2,701)
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	(732,768)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(544,383)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	771,847
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	
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	411,054
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	(13,991)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(27,424)
County's portion of collective pension expense	(160,571)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Change in unavailable revenue for tax revenues	34,040
Total adjustment	<u>\$ 1,908,924</u>

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

None Noted.

2. Contractual Violations

None Noted.

B. Excess of Expenditures over Appropriations

None Noted.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's, T&T's, and RDA'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 County's, T&T's, or RDA's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, T&T, and RDA, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, T&T, RDA, or with the escrow agent.

Because of the inability to measure the exact amount of collateral pledged for the County, T&T or RDA 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 County has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The T&T and RDA have no formal policies regarding custodial credit risk for deposits.

At June 30, 2016, the County's deposits had a carrying amount of \$7,212,461 and a bank balance of \$7,752,161. Of the bank balance, \$283,730 was covered by federal depository insurance and \$7,468,431 was covered by collateral held under the Pooling Method.

At June 30, 2016, Graham County had \$401 cash on hand.

At June 30, 2016 the carrying amount of deposits for T&T was \$218,312 and the bank balance was \$233,768. All of the bank balance was covered by federal depository insurance.

At June 30, 2016, the carrying amount of deposits for RDA was \$179,678 and the bank balance was \$179,678. All of the bank balance was covered by federal depository insurance.

2. Investments

At June 30, 2016, the County's investment balance was as follows:

Investments by Type	Valuation Measurement Method	Fair Value	Maturity	Rating
NC Capital Management Trust - Cash Portfolio	Amortized Cost	\$ 5,079	N/A	AAAm
Total		\$ 5,079		

The County has no policy regarding credit risk.

3. Receivables

Receivables at the government-wide level at June 30, 2016, were as follows:

	Landfill Receivable	Taxes Receivable	Accrued Interest Receivable on Taxes	Accounts	Total
Governmental Activities:					
General	\$ 7,972	\$ 506,194	\$ 16,626	\$ 12,820	\$ 543,612
Other governmental	-	-	-	116,300	116,300
Total receivables	7,972	506,194	16,626	129,120	659,912
Allowance for doubtful accounts	7,972	228,664	-	-	236,636
Total governmental activities	\$ 129,118	\$ 277,530	\$ 16,626	\$ 129,120	\$ 423,276

Discretely presented component units

Graham County Travel and Tourism Authority

Graham County Travel and Tourism Authority's \$29,070 in accounts receivable at June 30, 2016 are deemed to be fully collectible and are presented as unpaid balances.

Due from other governments that is owed to Graham County Travel and Tourism Authority consists of the amount of sales tax to refunded in the amount of \$8,290 at June 30, 2016.

Graham County Rural Development Authority

Due from other governments that is owed to RDA consists of advances to Graham County Board of Education for construction costs (\$20,000), as well as the value of a lot deeded to the school system for educational purposes (\$15,000), for a total of \$35,000 at June 30, 2016. The school system plans to build a residential home as part of a partnering agreement with Graham County Rural Development Authority. Upon sale of the home, Graham County Rural Development Authority will be reimbursed \$35,000 for land and all advanced costs.

4. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2016, was as follows:

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 1,766,191	\$ -	\$ -	\$ -	\$ 1,766,191
Construction in progress	-	110,424	-	-	110,424
Total capital assets not being depreciated	1,766,191	110,424	-	-	1,876,615
Capital assets being depreciated:					
Buildings	8,031,891	1,512,001	-	-	9,543,892
Other improvements	1,138,921	143,670	-	-	1,282,591
Equipment and furniture	3,113,316	166,131	-	-	3,279,447
Vehicles	3,470,801	241,595	160,133	-	3,552,263
Total capital assets being depreciated	15,754,929	2,063,397	160,133	-	17,658,193
Less accumulated depreciation for:					
Buildings	1,630,018	202,202	-	-	1,832,220
Other improvements	259,705	49,538	-	-	309,243
Equipment and furniture	2,241,151	248,170	-	-	2,489,321
Vehicles	2,900,493	232,858	157,432	-	2,975,919
Total accumulated depreciation	7,031,367	732,768	157,432	-	7,606,703
Total capital assets being depreciated, net	8,723,562				10,051,490
Governmental activity capital assets, net	\$ 10,489,753				\$ 11,928,105

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 107,884
Public safety	394,013
Economic and physical development	1,172
Human services	173,318
Cultural and recreational	56,381
Total depreciation expense	\$ 732,768

Construction commitments

The County has the following active construction projects as of June 30, 2016:

Project	Spent-to-date	Remaining Commitment
Graham County Park	\$ 44,648	\$ 3,335,752
Graham County E911 Enhancement/Replacement	65,776	455,352
Total	\$ 110,424	\$ 3,791,104

Discretely presented component units*Graham County Travel and Tourism Authority*

Capital asset activity for the Graham County Travel and Tourism Authority for the year ended June 30, 2016, was as follows:

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Capital assets being depreciated:					
Equipment	\$ 6,800	\$ -	\$ -	\$ -	\$ 6,800
Total capital assets being depreciated	6,800	-	-	-	6,800
Less accumulated depreciation for:					
Equipment	5,478	1,133	-	-	6,611
Total accumulated depreciation	5,478	1,133	-	-	6,611
Total capital assets being depreciated, net	\$ 1,322				\$ 189

B. Liabilities**1. Payables**

Payables at the government-wide level at June 30, 2016, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 231,217	\$ 97,856	\$ 329,073
Total-governmental activities	<u>\$ 231,217</u>	<u>\$ 97,856</u>	<u>\$ 329,073</u>

2. Pension Plan and Other Postemployment Obligations**a. Local Governmental Employees' Retirement System**

Plan Description: The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS 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 Local Governmental 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 LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% 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. 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. 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 (age 55 for firefighters). 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 (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) 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.

LGERS 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 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. An additional amount of 4.84% is contractually required to cover the costs of prior service credits or other liabilities when LGERS was joined for the compensation of law enforcement, general employees and the register of deeds. The County's contractually required contribution rate for the year ended June 30, 2016, was 7.150% of compensation for law enforcement officers, 6.670% for general employees and register of deeds, 6.77% for social service employees, and 6.74% for health department employees, 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 County were \$410,489 for the year ended June 30, 2016.

Refunds of Contributions. County employees who have terminated service as a contributing member of LGERS, 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 LGERS.

a. Local Governmental Employees' Retirement System

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

At June 30, 2016, the County reported a liability of \$307,741 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County'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 LGERS employers, actuarially determined. At June 30, 2015, the County's proportion was .069%, which was a decrease of .010% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$160,611. At June 30, 2016, the County 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	\$ -	\$ 72,337
Net difference between projected and actual earnings on pension plan investments	-	87,612
Changes in proportion and differences between County contributions and proportionate share of contributions	23,408	49,289
County contributions subsequent to the measurement date	410,489	
Total	<u>\$ 433,897</u>	<u>\$ 209,238</u>

\$410,489 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (112,441)
2018	(112,441)
2019	(112,166)
2020	151,218
2021	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County’s proportionate share of the net pension liability (asset)	\$ 2,145,900	\$ 307,738	\$ (1,240,873)

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

b. Law Enforcement Officers’ Special Separation Allowance

1. Plan Description

Graham County administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the County’s qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. For reporting purposes, the Separation Allowance is presented as a pension trust fund; however, it does not meet the criteria for trust funds outlined in GASB Statement 68.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	11
Total	11

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

Basis of Accounting: The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers

3. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

4. Funded Status and Funding Progress

The County has not obtained an actuarial valuation for the plan because its required contributions are considered immaterial.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description: The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy: Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$19,059, which consisted of \$19,059 from the County and \$0 from the law enforcement officers.

d. Registers of Deeds' Supplemental Pension Fund

Plan Description. Carolina County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS 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 Registers of Deeds' Supplemental Pension Fund 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 the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$556 for the year ended June 30, 2016.

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

At June 30, 2016, the County reported an asset of \$14,611 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2015, the County's proportion was .0631%, which was a decrease of .0042% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$(41). At June 30, 2016, the County 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	\$ 72	\$ 242
Net difference between projected and actual earnings on pension plan investments	725	-
Changes in proportion and differences between County contributions and proportionate share of contributions	654	29
County contributions subsequent to the measurement date	565	-
Total	<u>\$ 2,016</u>	<u>\$ 271</u>

\$565 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 400
2018	371
2019	214
2020	195
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 7.55 percent, including inflation and productivity factor
Investment rate of return	5.75 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, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. 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 adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.2%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. 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 County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 5.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
County's proportionate share of the net pension liability (asset)	\$ (13,185)	\$ (14,614)	\$ (15,843)

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

e. Other Postemployment Benefit

Graham County has no current plans qualifying as Other Post-Employment Benefits plans in place at year end.

f. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan administered under its group health insurance plan on a one-year term cost basis. The beneficiaries of those employees who die in active service at the time of death are eligible for death benefits in the amount of \$25,000. Employees not electing coverage in the group health plan receive death benefits coverage as a benefit from the County.

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Charge on refunding of debt	\$ 35,168	\$ -
Pensions - difference between expected and actual experience	72	72,579
Pensions - difference between projected and actual investment earnings	725	87,612
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	24,062	49,318
Contributions to pension plan subsequent to measurement date	411,054	-
Prepaid taxes not yet earned (General)	-	70,269
Taxes receivable, net, less penalties (General)	-	277,530
Total deferred inflows of resources	<u>\$ 471,081</u>	<u>\$ 557,308</u>

4. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of, assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance for these risks of loss. The County obtains property coverage equal to the replacement cost of owned property subject to total insured values, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability at \$1 million per occurrence; auto physical damage for owned autos at actual cash value; crime coverage of \$500,000 per occurrence; and worker's compensation up to the statutory limits. The County is also covered up to \$1 million for flood and earthquake damage. All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County.

In accordance with G.S. 159-29, the County's employees that have access to \$100 at any given time of the County's funds bonded through a commercial surety bond. The finance officer, tax collector and register of deeds are individually bonded for \$100,000, \$100,000 and \$25,000, respectively. The deputy finance officer and sheriff are individually bonded for \$25,000 each. Graham County Fire and Rescue has insurance coverage through the Volunteer Firemen's Insurance Services, Inc. The unit carries general liability coverage of \$1 million per occurrence, auto liability coverage of \$1 million per occurrence, real property coverage including earthquake and flood damage up to full value replacement costs of each property and personal property coverage full value replacement costs of each item. They also have worker's compensation coverage of \$100,000 per accident and a policy limit of \$500,000 for disease.

There have been no significant reductions in insurance coverage, and settled claims have not exceeded coverage in any of the past three fiscal years.

Discretely presented component units*Graham County Travel and Tourism Authority*

In accordance with G.S. 159-29, the Finance Officer of Graham County Travel & Tourism Authority is performance bonded through a commercial surety bond at the statutory amount. This bond is a separate individual bond to protect the Authority and that names the Authority as obligee or beneficiary. This bond is in addition to the bond on the Finance Officer that names the County as obligee.

Graham County Rural Development Authority

In accordance with G.S. 159-29, the Finance Officer of Graham County Rural Development Authority is performance bonded through a commercial surety bond at the statutory amount. This bond is a separate individual bond to protect the Authority and that names the Authority as obligee or beneficiary. This bond is in addition to the bond on the Finance Officer that names the County as obligee.

5. Contingent Liabilities

At June 30, 2016, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

6. Long-Term Obligations**a. Capital Leases**

The County has entered into lease agreements for the acquisition of a garbage truck and phone equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the date of their inception. Under the terms of the lease agreements, title passes to the County at the end of the lease term.

At June 30, 2016, the County leased vehicles and equipment valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles - Sanitation Truck	\$ 130,000	\$ 110,500	\$ 19,500
Equipment - Cisco Phone Lease	80,138	36,253	43,885
Total	<u>\$ 210,138</u>	<u>\$ 146,753</u>	<u>\$ 63,385</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

Year ending June 30,	
2017	55,849
2018	6,495
Total minimum lease payments	<u>62,344</u>
Less: amount representing interest	2,612
Present value of the minimum lease payments	<u>\$ 59,732</u>

b. Installment Purchases

The County has entered into several installment purchase contracts. Installment purchase contracts outstanding at June 30, 2016, are as follows:

On September 13, 2005, the County entered into a \$1,618,000 QZAB installment purchase for school improvements. The installment purchase requires 16 annual principal payments of \$84,394, and one final payment of \$267,704, including interest at zero percent. The installment purchase matures on September 13, 2021.	774,066
On November 21, 2006, the County entered into a \$2,100,000 installment purchase for the construction of the Health Department/EMS Building. The installment purchase requires 30 semi-annual principal payments of \$70,000; plus interest at 4.41%. The installment purchase matures on September 15, 2021.	770,000
On June 4, 2014, the County entered into a \$85,975 installment purchase for the purchase of a 2014 ambulance. The installment purchase requires three annual payments of \$29,690, including interest at 1.79%. The installment purchase matures on June 4, 2017.	29,170
On July 17, 2014, the County entered into a \$162,947 installment purchase for the purchase of a VDI network computer system. The installment purchase requires three annual payments of \$56,524, including interest at 1.99%. The installment purchase matures on July 17, 2017.	109,714
On October 17, 2014, the County entered into a \$109,919 installment purchase for the purchase of five Dodge Chargers. The installment purchase requires three annual payments of \$38,129, including interest at 1.99%. The installment purchase matures on October 17, 2017.	74,010
On September 17, 2015, the County entered into a \$453,818 installment financing arrangement with the United States Department of Agriculture to replace the fund balance reserve that was somewhat depleted by the purchase of the transfer station. The installment contract requires thirty annual payments of \$25,065, including interest at 3.625%. The installment financing arrangement matures on September 17, 2045.	453,818
On October 15, 2015, the County entered into a \$90,565.44 installment purchase for the purchase of cardiac monitors. The installment purchase requires four annual payments of \$23,790, including interest at 2.01%. The installment purchase matures on October 15, 2019.	90,565
	\$ 2,301,343

Annual debt service requirements to maturity for the County's installment purchase contracts are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2017	375,092	55,216
2018	348,512	45,632
2019	256,506	36,809
2020	257,300	29,841
2021	234,327	22,850
2022-2026	477,430	71,535
2027-2031	66,116	59,209
2032-2036	79,000	46,325
2037-2041	94,395	30,930
2032-2045	112,665	11,661
Total	\$ 2,301,343	\$ 190,348

c. General Obligation Bonds

The general obligation bonds are collateralized by the full faith, credit and taxing power of the County. The principal and interest requirements will be provided by appropriation when due.

General obligation bonds:

On September 23, 2014, the County issued \$2,323,000 of general obligation advance refunding bonds. The advance refunding bonds are due in annual installments beginning June 1, 2015, of varying amounts ranging from \$245,000 to \$269,000 through June 1, 2023, including interest at 2.20%. There will also be annual interest only payments beginning December 1, 2014 through December 1, 2022 at 2.20%.	\$ 1,822,000
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Annual debt service requirements for general obligation bonds to maturity are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2017	\$ 251,000	\$ 40,084
2018	258,000	34,562
2019	263,000	28,886
2020	269,000	23,100
2021	263,000	17,182
2022-2023	518,000	17,028
Total	\$ 1,822,000	\$ 160,842

d. Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2016:

	Beginning Balances	Additions	Retirements	Ending Balances	Due Within One Year
General Obligation Bonds	\$ 2,067,000	\$ -	\$ 245,000	\$ 1,822,000	\$ 251,000
Capital Leases	110,522	-	50,790	59,732	53,342
Installment Purchases	2,233,017	544,383	476,057	2,301,343	375,092
Compensated Absences	262,864	304,708	277,284	290,288	277,000
Net pension liability (LGRERS)	-	307,741	-	307,741	-
Total	\$ 4,673,403	\$ 1,156,832	\$ 1,049,131	\$ 4,781,104	\$ 956,434

No interest was capitalized during the year ended June 30, 2016; interest incurred and charged to expense totaled \$100,153.

Compensated absences for governmental activities typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

At June 30, 2016, Graham County had a legal debt margin of \$79,745,882.

Debt Related to Capital Activities - Of the total Governmental Activities debt listed only \$1,042,626 relates to assets the County holds title. There is no unspent restricted cash related to this debt.

C. Prior Period Adjustment

Graham County has determined that certain transactions were recorded incorrectly in the prior year.

General Fund Balance: The fund balance of the General Fund was overstated at June 30, 2015 in the amount of \$87,210 due to an overstatement of accrued liabilities.

General Fund Balance, beginning as previously reported	\$ 6,252,584
Adjustment to beginning accrued liabilities	(87,210)
General Fund Balance, beginning as restated	<u>\$ 6,165,374</u>

Emergency Telephone System Fund Balance: The fund balance of the Emergency Telephone System Fund was understated at June 30, 2015 in the amount of \$905 due to ineligible expenditures per the 911 Board.

Emergency Telephone System Fund Balance, beginning as previously reported	\$ 330,940
Ineligible expenditures made in the prior fiscal year	905
Emergency Telephone System Fund Balance, beginning as restated	<u>\$ 331,845</u>

Governmental Activities: The entity's proportionate share of the net pension asset and pension deferrals of the Local Governmental Employees' Retirement System (LGRERS) in accordance with GASB 68 was understated by \$260,723. The pension related restatement combined with the aforementioned adjustments to fund balance decreased Net Position by \$347,028.

Net Position, beginning as previously reported	\$ 13,610,757
General Fund Balance restatement	(87,210)
Emergency Telephone System Fund Balance restatement	905
Adjustment for the implementation of GASB Statement 68	(260,723)
Prior period adjustment/restatement	(347,028)
Net Position, beginning as restated	<u>\$ 13,263,729</u>

D. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2016, consist of the following:

Due to the General Fund from:

Graham County Park Capital Project Fund	\$	44,648
Graham County E911 Enhancement/Replacement Capital Project Fund		54,369
Emergency Telephone Fund		9,291
Low-income Housing Repair or Rehabilitation Grant Project Fund		3,333
ARC Rural Center Stanley Furniture		494
Total	<u>\$</u>	<u>112,135</u>

The interfund balances resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

E. Net Investment in Capital Assets

Capital Assets, net of related debt at June 30, 2016, are computed as follows:

Capital assets, net of accumulated depreciation	\$	11,928,105
Less capital debt:		
Gross debt (excluding compensated absences)	4,183,075	
Less:		
School debt related to assets to which the County does not hold title	<u>2,596,066</u>	
Net capital debt		<u>1,587,009</u>
Capital assets, net of related debt		<u>\$ 10,341,096</u>

F. Fund Balance

Graham County has a revenue spending policy that provides a policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-county funds, county funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County.

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

Total Fund Balance - General Fund	\$ 6,437,365
Less:	
Prepaid items	306,615
Stabilization by State Statute	707,701
Appropriated Fund Balance in 2017 budget	122,129
Register of Deeds	97,901
Human services	38,319
Law enforcement	39,267
Courts	5,549
USDA Reserve	2,089
Tax Revaluation	166,413
Remaining fund balance	\$ 4,951,382

Graham County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal or greater than 8% of budgeted expenditures.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

Encumbrances	General Fund	Emergency Telephone	Non-Major Funds
\$	16,545	\$ -	\$ -

G. Supplemental and Additional Supplemental One-Half of One Percent Local Government Sales and Use Taxes

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2016, the County reported these local option sales taxes within its General Fund. The County expended the restricted portion of these taxes to retire public school indebtedness.

IV. Joint Ventures

The County participates in a joint venture to operate the Nantahala Regional Library (Library) with six other local governments. The three participating counties may each appoint three board members to the nine-member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2016. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$64,500 to the Library to supplement its activities. Complete financial statements for the Library may be obtained from the Library's offices at 101-A Blumenthal Street, Murphy, NC 28906.

V. Jointly Governed Organizations

The County, in conjunction with seven other counties and fifteen municipalities, established the Southwestern N.C. Planning and Economic Development Commission (Commission). The participating governments established the Commission to coordinate funding received from various federal and State agencies. Each participating government appoints one member to the Commission's forty-four member governing board. The County paid membership fees of \$6,181 to the Commission during the fiscal year ended June 30, 2016.

The County, in conjunction with seven other counties, established the Smoky Mountain Mental Health Center (Center). The participating governments established the Center to provide mental health services to the western region of North Carolina. Each participating government appoints one member to the Center's governing board. The County contributed \$6,000 to the Center during the fiscal year ended June 30, 2016.

VI. Partnering Agreement

The Graham County Rural Development Authority (Authority) entered into a partnering agreement with the Graham County Board of Education on March 1, 2016 to construct a dwelling house for resale on property held by the Graham County Rural Development Authority. Within the partnering agreement, the Authority conveyed and sold a lot held by the Authority to the Graham County Board of Education for \$15,000. The two entities agreed that payment of \$15,000 for the lot would be made at the time that the house constructed by the Robbinsville High School vocational department was sold to a third party. In addition, the parties agreed that the Authority would advance to Graham County Board of Education a total of \$100,000 in five (5) installments of \$20,000 for the purchase of materials to construct the dwelling and that all materials for the dwelling would be purchased locally when possible. At June 30, 2016, the Authority had advanced \$20,000 to the Graham County Board of Education. Upon completion and sale of the dwelling to a third party, the Graham County Board of Education would return the \$100,000 of funds advanced during construction to the Authority. Following payment to the Authority for the cost of the lot and reimbursement of the construction advances, the net proceeds of the sale would be shared equally by the Authority and the Board of Education.

VII. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations, which cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients, which does not appear in the financial statements because they are not revenues or expenditures of the County.

	<u>Federal</u>	<u>State</u>
Temporary Assistance for Needy Families	\$ 106,444	\$ -
Medicaid	11,196,787	6,230,037
Food Stamp Program	2,005,222	-
WIC	176,635	-
SC/SA Domiciliary Care	-	54,615
Low Income Energy Assistance	46,100	-
IV-E Foster Care Assistance	36,635	12,174
IV-E Adopt Subsidy and Vendor	61,967	19,026
State Foster Care	-	9,736
	<u>\$ 13,629,790</u>	<u>\$ 6,325,588</u>

VIII. Summary Disclosure of Significant Commitments and Contingencies**Federal and State Assisted Programs**

The County 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 monies 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 monies.

IX. Significant Effects of Subsequent Events

The County has evaluated subsequent events and transactions through December 1, 2016, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Proportionate Share of Net Pension Liability (Asset) for Registers of Deeds' Supplemental Pension Fund
- Schedule of Contributions to Registers of Deeds' Supplemental Pension Fund

Graham County, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
for Local Government Employees' Retirement System
Required Supplementary Information
Last Three Fiscal Years *

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.069%	0.078%	0.083%
County's proportionate share of the net pension liability (asset) \$	\$ 307,741	\$ (461,771)	\$ 1,002,880
County's covered-employee payroll	\$ 4,021,910	\$ 3,994,140	\$ 4,162,209
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.65%	(11.56%)	24.09%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

** This will be the same percentage for all participant employers in the LGERS plan.

Graham County, North Carolina
Schedule of Contributions to Local Government Employees' Retirement System
Required Supplementary Information
Last Three Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 410,489	\$ 396,494	\$ 418,574
Contributions in relation to the contractually required contribution	<u>410,489</u>	<u>396,494</u>	<u>418,574</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 4,021,910	\$ 3,771,110	\$ 3,994,140
Contributions as a percentage of covered-employee payroll	10.21%	10.51%	10.48%

Graham County, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
Registers of Deeds' Supplemental Pension Fund
Required Supplementary Information
Last Three Fiscal Years *

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.0631%	0.0672%	0.0669%
County's proportionate share of the net pension liability (asset) \$	\$ 14,611	\$ (15,236)	\$ (14,288)
County's covered-employee payroll	\$ 36,520	\$ 35,520	\$ 49,124
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.01%	(42.89%)	(29.09%)
Plan fiduciary net position as a percentage of the total pension liability	197.29%	193.88%	190.50%

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

Graham County, North Carolina
Schedule of Contributions to Registers of Deeds' Supplemental Pension Fund
Registers of Deeds' Supplemental Pension Fund
Required Supplementary Information
Last Three Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 565	\$ 556	\$ 549
Contributions in relation to the contractually required contribution	<u>565</u>	<u>556</u>	<u>549</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 36,886	\$ 36,520	\$ 35,520
Contributions as a percentage of covered-employee payroll	1.53%	1.52%	1.55%

Combining and Individual Fund
Statements and Schedules

MAJOR GOVERNMENTAL FUNDS

The County has the following major governmental funds:

- **General Fund** - This fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.
- **Revaluation Fund** - This fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund. The Revaluation Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented for informational purposes only.

Special Revenue Fund:

- **Economic Development Fund** - This fund accounts for the lease revenues derived from the capital lease with Stanley Furniture for equipment purchased with grant funds from Golden Leaf Foundation. In accordance with the terms of the original grant, the proceeds coming back to Graham County are restricted as to use for future economic development activities within the County.

Capital Project Funds:

- **Graham County Park Capital Project Fund** - This fund accounts for the construction of the PARTF Recreation Park located at the former Stanley Furniture Company facility funded by a grant from the Parks and Recreation Trust Fund.
- **Graham County E 911 Enhancement/Replacement Capital Project Fund** - This fund accounts for the construction of a new 911 center to replace the existing primary PSAP center. This project will also serve to enhance current equipment and software necessary for the 911 center operations. The project is funded by a grant from North Carolina 911 Board.

Graham County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Current year taxes		\$ 5,955,185	
Prior year taxes		127,130	
Penalties and interest		79,961	
Total	<u>\$ 6,144,164</u>	<u>6,162,276</u>	<u>\$ 18,112</u>
Local option sales taxes:			
Local option sales tax		1,551,642	
Total	<u>1,495,100</u>	<u>1,551,642</u>	<u>56,542</u>
Other taxes and licenses:			
Register of deeds - excise tax		47,777	
Local occupancy tax		390,342	
Cable franchise fees		4,159	
Total	<u>319,400</u>	<u>442,278</u>	<u>122,878</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes		1,062,412	
Total	<u>955,000</u>	<u>1,062,412</u>	<u>107,412</u>
Restricted intergovernmental:			
State grants		2,442,962	
Federal grants		763,303	
Local grants		35,288	
Court facility fees		543	
Scrap tire disposal fee		12,241	
Solid waste disposal tax		6,392	
Controlled substance tax		42,486	
White goods disposal fee		2,913	
Total	<u>4,090,256</u>	<u>3,306,128</u>	<u>(784,128)</u>
Other restricted revenues:			
Private grants & contributions		86,714	
Total	<u>65,054</u>	<u>86,714</u>	<u>21,660</u>
Permits and fees:			
Building permits		48,861	
Register of deeds		63,761	
Health department well permits		10,250	
Total	<u>107,000</u>	<u>122,872</u>	<u>15,872</u>

Graham County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Sales and services:			
Rents, concessions, and fees		1,014,494	
Jail fees		10,363	
Ambulance fees		736,812	
Home health		35,334	
Tipping fees		61,002	
Recycling revenue		2,806	
Sheriff fees		51,114	
Total	<u>1,725,024</u>	<u>1,911,925</u>	<u>186,901</u>
Investment earnings:	<u>6,035</u>	<u>6,871</u>	<u>836</u>
Miscellaneous:			
Miscellaneous	<u>21,939</u>	<u>85,591</u>	<u>63,652</u>
Total revenues	<u>14,928,972</u>	<u>14,738,709</u>	<u>(190,263)</u>
EXPENDITURES			
General government:			
Governing body:			
Salaries and employee benefits		130,091	
Operating expenditures		202,677	
Contracted services		18,182	
Miscellaneous contributions		6,181	
Capital outlay		119,240	
Contingency fund		8,095	
Debt service:			
Principal retirement		70,066	
Interest and other charges		5,943	
Total	<u>561,622</u>	<u>560,475</u>	<u>1,147</u>
Administration:			
Salaries and employee benefits		65,114	
Operating expenditures		99,710	
Insurance - general		299,271	
Contracted services		4,317	
Total	<u>493,482</u>	<u>468,412</u>	<u>25,070</u>
Board of elections:			
Salaries and employee benefits		102,551	
Operating expenditures		40,671	
Total	<u>164,129</u>	<u>143,222</u>	<u>20,907</u>

Graham County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES			
General government:			
Finance:			
Salaries and employee benefits		197,748	
Operating expenditures		760	
Contracted services		63,532	
Total	<u>265,564</u>	<u>262,040</u>	<u>3,524</u>
Tax assessor:			
Salaries and employee benefits		90,940	
Operating expenditures		4,996	
Contracted services		29,490	
Total	<u>127,604</u>	<u>125,426</u>	<u>2,178</u>
Tax collector:			
Salaries and employee benefits		48,280	
Operating expenditures		14,569	
Total	<u>79,297</u>	<u>62,849</u>	<u>16,448</u>
Tax mapping:			
Salaries and employee benefits		57,431	
Operating expenditures		5,563	
Capital outlay		14,343	
Contracted services		22,713	
Total	<u>126,300</u>	<u>100,050</u>	<u>26,250</u>
Register of deeds:			
Salaries and employee benefits		88,710	
Operating expenditures		51,800	
Capital outlay		19,306	
Contracted services		57,935	
Total	<u>226,475</u>	<u>217,751</u>	<u>8,724</u>
Public buildings:			
Salaries and employee benefits		156,545	
Operating expenditures		111,809	
Capital outlay		1,531,756	
Contracted services		16,798	
Total	<u>1,894,893</u>	<u>1,816,908</u>	<u>77,985</u>
Vehicle maintenance:			
Salaries and employee benefits		38,488	
Operating expenditures		7,197	
Contracted services		53	
Total	<u>48,808</u>	<u>45,738</u>	<u>3,070</u>

Graham County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General government:			
Computer support:			
Salaries and employee benefits		69,432	
Operating expenditures		27,099	
Capital outlay		13,715	
Contracted services		25,205	
Total	<u>143,993</u>	<u>135,451</u>	<u>8,542</u>
Grounds maintenance:			
Salaries and employee benefits		17	
Operating expenditures		4,602	
Contracted services		2,179	
Total	<u>10,000</u>	<u>6,798</u>	<u>3,202</u>
Cemetery:			
Salaries and employee benefits		165,913	
Operating expenditures		21,228	
Total	<u>204,358</u>	<u>187,141</u>	<u>17,217</u>
Total general government	<u>4,346,525</u>	<u>4,132,261</u>	<u>214,264</u>
Public safety:			
Sheriff department:			
Salaries and employee benefits		861,161	
Operating expenditures		154,764	
Contracted services		110,288	
Capital outlay		13,524	
Debt service:			
Principal retirement		72,581	
Interest and other charges		3,177	
Total	<u>1,327,517</u>	<u>1,215,495</u>	<u>112,022</u>
Jail:			
Salaries and employee benefits		416,937	
Operating expenditures		288,005	
Contracted services		128,680	
Total	<u>874,605</u>	<u>833,622</u>	<u>40,983</u>
Ambulance service:			
Salaries and employee benefits		785,781	
Operating expenditures		115,482	
Capital outlay		90,565	
Debt service:			
Principal retirement		125,849	
Interest and other charges		4,564	
Total	<u>1,322,198</u>	<u>1,122,241</u>	<u>199,957</u>

Graham County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
District court:			
Operating expenditures		6,461	
Contracted services		2,081	
Total	<u>8,800</u>	<u>8,542</u>	<u>258</u>
Civil preparedness:			
Salaries and employee benefits		60,214	
Operating expenditures		7,800	
Debt service:			
Principal retirement		46,667	
Interest and other charges		12,863	
Total	<u>138,870</u>	<u>127,544</u>	<u>11,326</u>
Communications:			
Salaries and employee benefits		340,828	
Operating expenditures		6,610	
Contracted services		5,505	
Total	<u>390,898</u>	<u>352,943</u>	<u>37,955</u>
Sanitary landfill:			
Salaries and employee benefits		239,375	
Operating expenditures		148,422	
Capital outlay		47,692	
Tipping fees		177,944	
Debt service:			
Principal retirement		33,957	
Interest and other charges		2,408	
Total	<u>774,915</u>	<u>649,798</u>	<u>125,117</u>
EMS billing:			
Operating expenditures		85	
Contracted services		28,911	
Total	<u>30,100</u>	<u>28,996</u>	<u>1,104</u>
EBCI fuel (reimbursed expense)	<u>27,000</u>	<u>17,534</u>	<u>9,466</u>
USFS timber receipts or fire	<u>44,000</u>	<u>40,270</u>	<u>3,730</u>
Contribution to NC Forest Service	<u>63,116</u>	<u>53,371</u>	<u>9,745</u>
Contributions to rescue and fire	<u>184,190</u>	<u>183,813</u>	<u>377</u>
Total public safety	<u>5,186,209</u>	<u>4,634,169</u>	<u>552,040</u>

Graham County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Economic development:			
County planner:			
Salaries and employee benefits		30,116	
Operating expenditures		34,721	
Total	<u>93,894</u>	<u>64,837</u>	<u>29,057</u>
Urgent care project:			
Operating expenditures		17,837	
Contracted services		62,933	
Total	<u>81,000</u>	<u>80,770</u>	<u>230</u>
Building inspector:			
Salaries and employee benefits		107,692	
Operating expenditures		10,415	
Total	<u>122,771</u>	<u>118,107</u>	<u>4,664</u>
Total economic development	<u>297,665</u>	<u>263,714</u>	<u>33,951</u>
Human services:			
Health department:			
Administration:			
Communicable diseases:			
Salaries and employee benefits		14,233	
Operating expenditures		3,014	
Total		<u>17,247</u>	
Health promotion:			
Child health:			
Salaries and employee benefits		87,595	
Operating expenditures		17,367	
Total		<u>104,962</u>	
Tuberculosis:			
Maternal health:			
Salaries and employee benefits		35,168	
Operating expenditures		535	
Total		<u>35,703</u>	
Mountain Top health care clinic:			
Salaries and employee benefits		32,274	
Operating expenses		8,371	
Contracted services		7,180	
Total		<u>47,825</u>	

Graham County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Home health:			
TB:			
Salaries and employee benefits		1,182	
Operating expenditures		156	
Total		<u>1,338</u>	
Human services:			
Health department :			
Family planning:			
Salaries and employee benefits		63,366	
Operating expenditures		12,389	
Total		<u>75,755</u>	
Maternal and child health:			
Salaries and employee benefits		47,261	
Operating expenditures		6,738	
Total		<u>53,999</u>	
Women, infants, and children:			
Environmental health:			
Salaries and employee benefits		56,339	
Operating expenditures		8,721	
Total		<u>65,060</u>	
Migrant health:			
HIV/STD:			
Salaries and employee benefits		5,300	
Operating expenditures		635	
Total		<u>5,935</u>	
BCCP:			
Salaries and employee benefits		20,182	
Operating expenses		9,756	
Total		<u>29,938</u>	
Dental:			
Salaries and employee benefits		284,953	
Operating expenses		44,211	
Total		<u>329,164</u>	
Child service coordination:			
Salaries and employee benefits		19,550	
Operating expenses		101	
Total		<u>19,651</u>	

Graham County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General:			
Salaries and employee benefits		62,526	
Operating expenses		42,269	
Contracted services		24,477	
Capital outlay		30,898	
Debt service:			
Principal retirement		93,333	
Interest and other charges		25,725	
Total		<u>279,228</u>	
Human services:			
Health department:			
IAP5.278:			
Salaries and employee benefits		5,246	
Operating expenses		781	
Total		<u>6,027</u>	
Smart Start:			
Salaries and employee benefits		19,908	
Operating expenses		2,137	
Total		<u>22,045</u>	
WIC:			
Salaries and employee benefits		68,806	
Operating expenses		320	
Total		<u>69,126</u>	
Health department food and lodging:			
Salaries and employee benefits		4,751	
Operating expenses		982	
Total		<u>5,733</u>	
Adult health:			
Salaries and employee benefits		87,054	
Operating expenses		99,697	
Total		<u>186,751</u>	
Bioterrorism Grant:			
Salaries and employee benefits		30,690	
Operating expenses		3,012	
Total		<u>33,702</u>	
CAP:			
Salaries and employee benefits		100,439	
Operating expenses		18,736	
Contracted services		6,869	
Total		<u>126,044</u>	

Graham County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
TPPI:			
Salaries and employee benefits		17,615	
Operating expenses		96,811	
Total		<u>114,426</u>	
Ebola:			
Salaries and employee benefits		12,908	
Operating expenses		1,845	
Total		<u>14,753</u>	
EBIS:			
Salaries and employee benefits		1,272	
Contracted services		10	
Total		<u>1,282</u>	
Total Health Department	<u>1,777,648</u>	<u>1,645,694</u>	<u>131,954</u>
Human services:			
Veterans Service Officer:			
Salaries and employee benefits	<u>4,000</u>	<u>7</u>	<u>3,993</u>
Social services:			
Administration:			
Salaries and employee benefits		869,119	
Operating expenses		332,539	
Total	<u>1,350,547</u>	<u>1,201,658</u>	<u>148,889</u>
Social service public assistance:			
Medical assistance		988	
Work first		391,458	
Foster care		2,100	
Special assistance		60,134	
Crisis intervention		117,618	
Foster care - clothing		135,815	
Total	<u>1,188,577</u>	<u>708,113</u>	<u>480,464</u>
Total social services	<u>2,539,124</u>	<u>1,909,771</u>	<u>629,353</u>
Senior citizens program:			
Administration:			
Salaries and employee benefits		150,503	
Operating expenses		101,391	
Contracted services		5,678	
Total senior citizens program	<u>278,262</u>	<u>257,572</u>	<u>20,690</u>

Graham County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transit:			
DOT transportation development grant			
Grant administrative expenditures:			
Salaries and employee benefits		104,328	
Operating expenditures		18,424	
Grant operating expenditures:			
Salaries and employee benefits		277,445	
Operating expenditures		39,187	
Capital outlay		57,391	
Total transit	<u>764,457</u>	<u>496,775</u>	<u>267,682</u>
Total human services	<u>5,363,491</u>	<u>4,309,819</u>	<u>1,053,672</u>
Cultural and recreational:			
4-H:			
Operating expenditures		12,760	
Total	<u>20,000</u>	<u>12,760</u>	<u>7,240</u>
Extension:			
Salaries and employee benefits		70,946	
Operating expenditures		6,748	
Total	<u>87,324</u>	<u>77,694</u>	<u>9,630</u>
Soil and water:			
Salaries and employee benefits		57,958	
Operating expenditures		5,152	
Total	<u>73,686</u>	<u>63,110</u>	<u>10,576</u>
Recreation:			
Salaries and employee benefits		105,626	
Operating expenditures		73,284	
Capital outlay		7,365	
Contracted services		15,708	
Total	<u>204,429</u>	<u>201,983</u>	<u>2,446</u>
Swimming pool:			
Salaries and employee benefits		20,943	
Operating expenditures		7,022	
Contracted services		440	
Total	<u>34,400</u>	<u>28,405</u>	<u>5,995</u>
Contributions to regional library	<u>64,500</u>	<u>64,500</u>	<u>-</u>
Total cultural and recreation	<u>484,339</u>	<u>448,452</u>	<u>35,887</u>

Graham County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Special appropriations:			
Education:			
Public schools - current	570,000	570,000	-
Public schools - capital outlay	16,500	16,500	-
Public schools - SRS USFS Timber	176,000	161,078	14,922
Debt service:			
School Bond - capital outlay	245,000	245,000	-
School Bond - capital outlay - interest	45,474	45,474	-
QZAB debt - capital outlay	84,394	84,394	-
Total education	<u>1,137,368</u>	<u>1,122,446</u>	<u>14,922</u>
Special appropriations :			
Contributions:			
Tri-County Community College	111,400	111,400	-
JCPC	71,560	67,053	4,507
Regional mental health	6,000	6,000	-
State of Franklin	4,000	4,000	-
Other special appropriations	63,200	63,200	-
Total special appropriations	<u>1,393,528</u>	<u>1,374,099</u>	<u>19,429</u>
Total expenditures	<u>17,071,757</u>	<u>15,162,514</u>	<u>1,909,243</u>
Revenues over expenditures	<u>(2,142,785)</u>	<u>(423,805)</u>	<u>1,718,980</u>
OTHER FINANCING SOURCES (USES)			
Transfers to other funds:			
Revaluation Fund	(15,000)	(15,000)	-
Total net transfers	(15,000)	(15,000)	-
Proceeds from long term debt issued	392,500	544,383	151,883
Total other financing sources (uses)	<u>377,500</u>	<u>529,383</u>	<u>151,883</u>
Appropriated fund balance	1,765,285	-	1,765,285
Net change in fund balance	<u>\$ -</u>	105,578	<u>\$ 105,578</u>
Fund balance, beginning as previously reported		6,252,584	
Prior period adjustment		(87,210)	
Fund balance, beginning		<u>6,165,374</u>	
Fund balance, ending		<u>\$ 6,270,952</u>	

Graham County, North Carolina

Revaluation Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Investment earnings	\$ -	\$ 158	\$ 158
EXPENDITURES			
General government:			
Contracted services		7,997	
Total expenditures	15,000	7,997	7,003
Revenues over (under) expenditures	(15,000)	(7,839)	7,161
OTHER FINANCING SOURCES (USES)			
Transfer in:			
General fund	15,000	15,000	-
Increase in fund balance for subsequent expenditures	-	-	-
Net change in fund balance	<u>\$ -</u>	7,161	<u>\$ 7,161</u>
Fund balance, beginning		159,252	
Fund balance, ending		<u>\$ 166,413</u>	

Graham County, North Carolina

Economic Development Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Other restricted revenues		\$ -	
Investment earnings		825	
Total revenues	<u>\$ 150</u>	<u>825</u>	<u>\$ 675</u>
EXPENDITURES			
Economic and physical development	<u>150</u>	<u>-</u>	<u>150</u>
Total expenditures	<u>150</u>	<u>-</u>	<u>150</u>
Revenues over (under) expenditures	<u>-</u>	<u>825</u>	<u>825</u>
Net change in fund balance	<u>\$ -</u>	<u>825</u>	<u>\$ 825</u>
Fund balance, beginning		<u>822,362</u>	
Fund balance, ending		<u>\$ 823,187</u>	

Graham County, North Carolina

Graham County Park Capital Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and for the Year Ended June 30, 2016

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
REVENUES					
Restricted intergovernmental:					
PARTF Grant	\$ 500,000	\$ -	\$ 44,648	\$ 44,648	\$ (455,352)
Total revenues	500,000	-	44,648	44,648	(455,352)
EXPENDITURES					
Capital outlay:					
Cultural and recreation:					
Planning and incidental land costs	83,500	-	38,688	38,688	44,812
Building and renovating costs	417,500	-	-	-	417,500
Contingency	25,050	-	-	-	25,050
Total expenditures	526,050	-	44,648	38,688	487,362
Revenues over (under) expenditures	(26,050)	-	-	-	32,010
OTHER FINANCING SOURCES (USES)					
Transfer in:					
General fund	26,050	-	-	-	(26,050)
Total other financing sources (uses)	26,050	-	-	-	(26,050)
Revenues and other sources over (under) expenditures	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning			-		
Fund balance, ending			\$ -		

Graham County, North Carolina

Graham County E911 Enhancement/Replacement Capital Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Fiscal Year Ended June 30, 2016

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Year	Current Year		
REVENUES					
Restricted intergovernmental:					
North Carolina 911 Board	\$ 3,401,528	\$ -	65,776	\$ 65,776	\$ (3,335,752)
Total revenues	<u>3,401,528</u>	<u>-</u>	<u>65,776</u>	<u>65,776</u>	<u>(3,335,752)</u>
EXPENDITURES					
Capital outlay:					
Public Safety:					
Engineering & construction	3,401,528	-	65,776	65,776	3,335,752
Total expenditures	<u>3,401,528</u>	<u>-</u>	<u>65,776</u>	<u>65,776</u>	<u>3,335,752</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfer in:					
General fund				-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

COMBINING STATEMENTS FOR NON-MAJOR GOVERNMENTAL FUNDS

The County has three non-major governmental funds.

Special Revenue Funds:

- **Emergency Telephone Special Revenue Fund** - This fund accounts for the accumulation of funds used to operate the 911 emergency service operation.
- **Low-income Housing Repair or Rehabilitation Grant Project Fund** - This fund accounts for the revenues and expenditures to rehabilitate owner-occupied homes for County residents with low-income and severe housing needs. The grant project is funded in part by the North Carolina Department of Commerce, Community Assistance, Scattered Site Housing Grant and the USDA Rural Development Housing Preservation Grant (HPG) program.
- **ARC Rural Center - Stanley Furniture Building Reuse Fund** - This fund accounts for the rehabilitation of energy infrastructure located at the Stanley Furniture site on behalf of Stanley Furniture Company. Rehabilitation activities were funded by a grant from the NC Rural Economic Development Center.

Graham County, North Carolina

Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2016

	Special Revenue Funds				
	Emergency Telephone Special Revenue Fund	Low-income Housing Repair or Rehabilitation Grant Project Fund	ARC Rural Center Stanley Furniture	Total Non-Major Special Revenue Funds	Total Non-Major Governmental Funds
ASSETS					
Restricted cash	\$ 475,879	\$ 48,746	\$ 1,440	\$ 526,065	\$ 526,065
Accounts receivable, net	17,281	-	-	17,281	17,281
Due from other governments	423	-	-	423	423
Total assets	<u>\$ 493,583</u>	<u>\$ 48,746</u>	<u>\$ 1,440</u>	<u>\$ 543,769</u>	<u>\$ 543,769</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ 9,291	\$ 3,333	\$ 494	\$ 13,118	\$ 13,118
Total liabilities	<u>9,291</u>	<u>3,333</u>	<u>494</u>	<u>13,118</u>	<u>13,118</u>
Fund balances:					
Restricted:					
Stabilization by state statute	17,704	-	-	17,704	17,704
Public safety	466,588	-	-	466,588	466,588
Economic and physical development	-	45,413	946	46,359	46,359
Unassigned	-	-	-	-	-
Total fund balances	<u>484,292</u>	<u>45,413</u>	<u>946</u>	<u>530,651</u>	<u>530,651</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 493,583</u>	<u>\$ 48,746</u>	<u>\$ 1,440</u>	<u>\$ 543,769</u>	<u>\$ 543,769</u>

Graham County, North Carolina

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Non-Major Governmental Funds

For the Year Ended June 30, 2016

	Special Revenue Funds				
	Emergency Telephone Special Revenue Fund	Low-income Housing Repair or Rehabilitation Grant Project Fund	ARC Rural Center Stanley Furniture	Total Non-Major Special Revenue Funds	Total Non-Major Governmental Funds
REVENUES					
Restricted intergovernmental revenues	\$ 207,395	\$ 45,768	\$ -	\$ 253,163	\$ 253,163
Investment earnings	381	35	2	418	418
Miscellaneous	-	45,270	-	45,270	45,270
Total revenues	207,776	91,073	2	298,851	298,851
EXPENDITURES					
Current:					
Public safety	55,329	-	-	55,329	55,329
Economic and physical development	-	45,768	-	45,768	45,768
Total expenditures	55,329	45,768	-	101,097	101,097
Excess (deficiency) of revenues over expenditures	152,447	45,305	2	197,754	197,754
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Total other financing sources and (uses)	-	-	-	-	-
Net change in fund balances	152,447	45,305	2	197,754	197,754
Fund balances, beginning as previously reported	330,940	108	944	331,992	331,992
Prior period adjustment	905	-	-	905	905
Fund balances, beginning as restated	331,845	108	944	332,897	332,897
Fund balances, ending	\$ 484,292	\$ 45,413	\$ 946	\$ 530,651	\$ 530,651

Graham County, North Carolina

Emergency Telephone System Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Restricted intergovernmental		\$ 207,395	
Investment earnings		381	
Total revenues	<u>\$ 207,395</u>	<u>207,776</u>	<u>\$ 381</u>
EXPENDITURES			
Public safety	<u>207,395</u>	<u>55,329</u>	<u>152,066</u>
Total expenditures	<u>207,395</u>	<u>55,329</u>	<u>152,066</u>
Revenues over (under) expenditures	<u>-</u>	<u>152,447</u>	<u>152,447</u>
Appropriated fund balance	-	-	-
Net change in fund balance	<u><u>\$ -</u></u>	<u>152,447</u>	<u><u>\$ 152,447</u></u>
Fund balance, beginning as previously reported		330,940	
Prior period adjustment		<u>905</u>	
Fund balance, beginning as restated		<u>331,845</u>	
Fund balance, ending		<u><u>\$ 484,292</u></u>	

Graham County, North Carolina

Low-income Housing Repair or Rehabilitation Grant Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

From Inception and for the Year Ended June 30, 2016

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental:					
CDBG Scattered Site Housing Grant	\$ 225,000	\$ 39,594	\$ -	\$ 39,594	\$ (185,406)
USDA Housing Preservation Grant	76,955	27,181	45,768	72,949	(4,006)
Total	301,955	66,775	45,768	112,543	(189,412)
Investment earnings	-	6	35	41	41
Miscellaneous					
CDBG lien releases	-	-	45,270	45,270	45,270
Total	-	-	45,270	45,270	45,270
Total revenues	301,955	66,781	91,073	157,854	(144,101)
EXPENDITURES					
Economic and physical development:					
CDBG Scattered Site Housing Grant:					
Rehabilitation	197,500	37,094	-	37,094	160,406
Administration	22,500	2,500	-	2,500	20,000
Emergency repair	5,000	-	-	-	5,000
USDA Housing Preservation Grant					
Administration	10,773	6,512	512	7,024	3,749
Rehabilitation	66,182	20,669	45,256	65,925	257
Total expenditures	301,955	66,775	45,768	112,543	189,412
Revenues over (under) expenditures	-	6	45,305	45,311	45,311
Net change in fund balance	\$ -	\$ 6	45,305	\$ 45,311	\$ 45,311
Fund balance, beginning			108		
Fund balance, ending			\$ 45,413		

Graham County, North Carolina

ARC Rural Center - Stanley Furniture Building Reuse Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
REVENUES					
Restricted intergovernmental:					
Rural Economic Development Center Grant	\$ 191,928	\$ 191,928	\$ -	\$ 191,928	\$ -
Investment earnings	-	3	2	5	5
Total revenues	<u>191,928</u>	<u>191,931</u>	<u>2</u>	<u>191,933</u>	<u>5</u>
EXPENDITURES					
Economic development					
Pass through grant to Stanley Furniture	<u>191,928</u>	<u>191,928</u>	-	<u>191,928</u>	-
Total expenditures	<u>191,928</u>	-	-	-	<u>191,928</u>
Revenues over (under) expenditures	<u>-</u>	<u>191,931</u>	<u>2</u>	<u>191,933</u>	<u>191,933</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 191,931</u>	<u>\$ 2</u>	<u>\$ 191,933</u>	<u>\$ 191,933</u>
Fund balance, beginning			<u>944</u>		
Fund balance, ending			<u>\$ 946</u>		

AGENCY FUNDS

Agency Funds are used to account for assets held by the County as an agent for individuals and/or other governments.

- **Social Services Fund** - This fund accounts for monies held by the Social Services Department for the benefit of certain individuals in the County.
- **Motor Vehicle Tax Fund** - This fund accounts for the registered motor vehicle property taxes that are billed and collected by the County for the Towns of Robbinsville, Santeetlah, and Fontana.
- **4-H Club** - This fund accounts for monies held by the County for the benefit of 4-H activities.
- **Deed of Trust Fee Fund** - This fund accounts for (a) five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage which is remitted to the State Treasurer on a monthly basis; (b) five dollars of each marriage license fee, which is remitted to the North Carolina Children's Trust Fund and (c) thirty dollars of each license fee, which is remitted to the North Carolina Department of Administration for Domestic Violence Centers.

Graham County, North Carolina

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Social Services</u>				
Assets:				
Cash and cash equivalents	\$ 101,306	\$ 157,841	\$ 232,674	\$ 26,473
Liabilities:				
Miscellaneous liabilities	\$ 101,306	\$ 157,841	\$ 232,674	\$ 26,473
<u>Motor Vehicle Tax Fund</u>				
Assets:				
Cash and cash equivalents	\$ 923	\$ 517	\$ 1,440	\$ -
Liabilities:				
Due to Town of Robbinsville	\$ 739	\$ 517	\$ 1,256	\$ -
Due to Town of Santeetlah	171	-	171	-
Due to Town of Fontana	13	-	13	-
	\$ 923	\$ 517	\$ 1,440	\$ -
<u>4-H Club</u>				
Assets:				
Cash and cash equivalents	\$ 1,637	\$ 3,724	\$ 3,220	\$ 2,141
Liabilities:				
Miscellaneous liabilities	\$ 1,637	\$ 3,724	\$ 3,220	\$ 2,141
<u>Deed of Trust Fee Fund</u>				
Assets:				
Cash and cash equivalents	\$ 1,073	\$ 9,436	\$ 9,370	\$ 1,139
Liabilities:				
Intergovernmental payable - State of North Carolina	\$ 1,073	\$ 9,436	\$ 9,370	\$ 1,139
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 104,939	\$ 171,518	\$ 246,704	\$ 29,753
Liabilities:				
Miscellaneous liabilities	\$ 102,943	\$ 161,565	\$ 235,894	\$ 28,614
Due to Town of Robbinsville	739	517	1,256	-
Due to Town of Santeetlah	171	-	171	-
Due to Town of Fontana	13	-	13	-
Intergovernmental payable - State of North Carolina	1,073	9,436	9,370	1,139
Total liabilities	\$ 104,939	\$ 171,518	\$ 246,704	\$ 29,753

OTHER SCHEDULES

This section contains additional information on property taxes and State 911 board requested data.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy
- Ten Largest Taxpayers
- Emergency Telephone System Unspent Balance - PSAP Reconciliation

Graham County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2016

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2015</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016	\$ -	\$ 6,137,305	\$ 5,911,068	\$ 226,237
2014-2015	180,478	-	89,006	91,472
2013-2014	111,216	-	70,126	41,090
2012-2013	45,069	-	9,664	35,405
2011-2012	29,044	-	5,611	23,433
2010-2011	25,811	-	3,771	22,040
2009-2010	19,761	-	2,032	17,729
2008-2009	18,917	-	1,141	17,776
2007-2008	17,379	-	954	16,425
2006-2007	15,528	-	941	14,587
2005-2006	16,844	-	16,844	-
	<u>\$ 480,047</u>	<u>\$ 6,137,305</u>	<u>\$ 6,111,158</u>	506,194
Less: allowance for uncollectible accounts:				
General fund				<u>228,664</u>
Ad valorem taxes receivable - net:				
General fund				<u>\$ 277,530</u>
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General fund				
Taxes collected				\$ 6,082,315
Penalties and interest				79,961
				<u>6,162,276</u>
Reconciling items:				
Garnishment fees				(2,888)
Taxes written off				16,627
Less: interest collected				(64,965)
Other adjustments				108
Total reconciling items				<u>(51,118)</u>
Total collections and credits				<u>\$ 6,111,158</u>

Graham County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2016

	County - wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,056,321,538	0.585	\$ 6,179,481	\$ 6,147,327	\$ 32,154
Motor vehicles taxed at prior year's rate	-	0.585	-		
Penalties	-		-	-	
Total	<u>1,056,321,538</u>		<u>6,179,481</u>	<u>6,147,327</u>	<u>32,154</u>
Discoveries:					
Current year taxes	8,041,026	0.585	47,040	47,040	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Total	<u>8,041,026</u>		<u>47,040</u>	<u>47,040</u>	<u>-</u>
Abatements	<u>(15,250,598)</u>		<u>(89,216)</u>	<u>(88,929)</u>	<u>(287)</u>
Total property valuation	<u>\$ 1,049,111,966</u>				
Net levy			6,137,305	6,105,438	31,867
Uncollected taxes at June 30, 2016			<u>226,237</u>	<u>224,550</u>	<u>1,687</u>
Current year's taxes collected			<u>\$ 5,911,068</u>	<u>\$ 5,880,888</u>	<u>\$ 30,180</u>
Current levy collection percentage			<u>96.31%</u>	<u>96.32%</u>	<u>94.71%</u>

Secondary Market Disclosures:

Assessed valuation:				
Assessment ratio ¹				1.0003
Real property			\$	983,298,301
Personal property				33,968,173
Public service companies ²				31,845,492
Total assessed valuation			\$	<u>1,049,111,966</u>
Tax rate per \$100				0.585
Levy (includes discoveries, releases and abatements) ³			\$	6,137,305

¹ Percentage of appraised value has been established by statute.

² Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

³ The levy includes interest and penalties.

Graham County, North Carolina
Ten Largest Taxpayers
For the Fiscal Year Ended June 30, 2016

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Brookfield Smoky Mountain	Commercial	\$ 209,132,720	19.93%
Duke Energy	Utility	30,048,075	2.86%
Cody Family and Heirs	Residential	5,666,865	0.54%
Fontana Village Inc.	Commercial	3,385,980	0.32%
Collins JC Holdings LTD	Real Estate	2,767,140	0.26%
Graham County Land Company	Commercial	2,375,227	0.23%
Frontier Communications	Utility	2,146,718	0.20%
State Employees Credit Union	Commercial	2,089,320	0.20%
Britthaven Inc.	Commercial	2,041,820	0.19%
Snowbird Mountain Lodge	Commercial	1,958,270	0.19%
Total		<u>\$ 261,612,135</u>	<u>24.94%</u>

Graham County, North Carolina
Emergency Telephone System Unspent Balance
PSAP Reconciliation
June 30, 2016

Amounts reported on the Emergency Telephone System Fund budget to actual are different from the PSAP Revenue Expenditure Report because:

Net Change in Fund Balance, reported on Budget to Actual	\$ 152,447
Beginning Balance, PSAP Revenue - Expenditure Report	<u>331,845</u>
Ending Balance, PSAP Revenue - Expenditure Report	<u><u>\$ 484,292</u></u>

COMPLIANCE SECTION

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

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

To the Board of County Commissioners
Graham County, North Carolina

We have audited, 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, the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Graham County, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises Graham County's basic financial statements, and have issued our report thereon dated December 1, 2016. The financial statements of the Tourism Development Authority and the Rural Development Authority were not audited in accordance with Governmental Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Graham County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Graham County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Turner & Company CPAs P.A.

TURNER & COMPANY CPAs P.A.
Murphy, North Carolina
December 1, 2016

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

To the Board of Commissioners
Graham County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Graham County, 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 Graham County's major federal programs for the year ended June 30, 2016. Graham County's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Graham County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 we 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 Graham County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Programs

In our opinion, Graham County complied, in all material aspects, 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, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

Graham County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Graham County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Graham County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Graham County'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 our 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, we do not express an opinion on the effectiveness of the County'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.

Our 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, as item 2016-001 that we consider to be a significant deficiency.

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

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

Turner & Company CPAs P.A.

TURNER & COMPANY CPAs P.A.

Murphy, North Carolina

December 1, 2016

Turner & Company CPAs P.A.

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Independent Auditors' Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance; In Accordance With OMB Circular the Uniform Guidance and the State Single Audit Implementation Act

To the Board of Commissioners
Graham County, North Carolina

Report on Compliance for Each Major State Program

We have audited Graham County, 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 Graham County's major state programs for the year ended June 30, 2016. Graham County's major state programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Graham County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of 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, Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act require that we 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 Graham County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Other Major State Programs

In our opinion, Graham County complied, in all material aspects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major state programs year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with applicable sections of the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina* and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major state program is not modified with respect to these matters.

Graham County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Graham County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Graham County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Graham County'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 our 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, we do not express an opinion on the effectiveness of the County'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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, as item 2016-001 that we consider to be a significant deficiency.

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

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

Turner & Company CPAs P.A.

TURNER & COMPANY CPAs P.A.

Murphy, North Carolina

December 1, 2016

Graham County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Significant Deficiency(s)? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___ yes X no
- Significant Deficiency(s)? X yes ___ none reported

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

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

Identification of major federal programs:

CFDA No(s).	Names of Federal Program or Cluster
93.778	Medical Assistance Program (Title XIX – Medicaid)
93.767	Children's Health Insurance Program (CHIP) - State N.C. Health Choice

The Children's Health Insurance Program (CHIP) - State N.C. Health Choice did not meet the criteria for a major program using the criteria discussed in OMB Uniform Guidance §200.518, but was tested as a major program upon the request of the North Carolina Office of the State Auditor.

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

Auditee qualified as low-risk auditee ___ yes X no

State Awards

Internal control over major state programs:

- Material weakness(es) identified? ___ yes X no
- Significant Deficiency(s)? ___ yes X none reported

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

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

Identification of Major State programs (Dollar threshold over \$500,000):

Program Name

The only major State program for Graham County is the **Medical Assistance Program (Title XIX – Medicaid 93.778)**, which is a State match on a federal program. Therefore, this program has been included in the list of major federal programs above.

Section II - Financial Statement Findings

None reported.

Graham County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section III - Federal Award Findings and Questioned Costs

U.S. Department of Health & Human Services

Passed-through the N.C. Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX); Children's Health Insurance Program (CHIP)

Grant Number: XXXX

Finding 2016-001

SIGNIFICANT DEFICIENCY

Nonmaterial Noncompliance - Crosscutting Requirements - Reporting

Criteria: Day sheets must be maintained in accordance with the DSS Services Information System Policy. Since North Carolina elects to use 100% time reporting, it is of vital importance that workers complete day sheets as accurately and timely as possible. Appropriate and accurate recording of activities is absolutely necessary for Federal reimbursement.

Condition: Workers must certify the completeness and accuracy of all entries on each day sheet and only they can make corrections. We found that workers were not always certifying their day sheets and that supervisors were not always approving the day sheets. We found variances between the time reported on day sheets and the time sheets submitted for payroll. It appears that caseworkers are not keeping up with their time on the day sheets. Several day sheets tested in the sample did not account for all the time the employee had turned in on their daily time sheet and vice versa.

Cause: The department does not have sufficient controls in place to ensure that day sheets are completed as accurately and timely as possible.

Effect: Day sheets are completed and approved by the Supervisor when accounting for Program time. They are used to determine proper reimbursement for the program. This is required by the State and failure to have proper day sheets or support for time entries may lead to error or inefficiencies in requesting reimbursement for the Program.

Questioned Costs: Unable to determine.

Context: 59% of the day sheets examined contained errors relating to noncompliance.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2015-002.

Recommendation: We recommend that the Board implement procedures to ensure compliance with this regulation as it relates to federal programs. Procedures such as the following: (1) implementation of the use of the State mandated day sheets for all caseworkers, (2) caseworkers should initial and date their entry to the case history in the client file so that it is clear who completed the entered task (3) caseworkers and supervisors should more closely review day sheets and time sheets (4) day sheets must always be certified by workers and approved by supervisors.

Views of responsible officials and planned corrective actions: The county agrees with the finding and will implement adequate checks and balances to ensure that this problem does not recur. Please refer to the corrective action plan on page 91.

Section IV - State Award Findings and Questioned Costs

See Finding 2016-001

Graham County, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2016

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

Finding 2016-001

Name of contact person: Butch Sanders, Director

Corrective Action: The County will continue to train employees to ensure that all workers certify their day sheets and that the day sheets are approved by supervisors.

Proposed Completion Date: Ongoing

Section IV - State Award Findings and Questioned Costs

See above listed Finding 2016-001

Graham County, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2016

Finding 2015-001

Status: Corrected.

Finding 2015-002

Status: For the current fiscal year this finding is still an issue for the County, however, great improvement was noted. The Finance Officer of the County remains in close contact with DSS Board and the DSS director to monitor progress in all areas of DSS fiscal oversight.

Finding 2015-003

Status: Corrected.

Finding 2015-004

Status: Corrected.

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
Federal Awards:						
<u>U.S. Department of Agriculture</u>						
<u>Food and Nutrition Service</u>						
Passed-through the N.C. Department of Health and Human Services:						
Division of Social Services:						
Administration:						
State Administrative Matching Grants for						
the Supplemental Nutrition Assistance Program						
	10.561	XXXX	\$ 64,569	\$ 856	\$ -	\$ 60,870
Passed-through the N.C. Department of Health and Human Services:						
Division of Public Health:						
Administration:						
Special Supplemental Nutrition Program for						
Women, Infants, & Children						
	10.557	XXXX	60,308	-	-	-
Direct Benefit Payments:						
Special Supplemental Nutrition Program for						
Women, Infants, & Children						
	10.557	XXXX	176,635	-	-	-
Direct Program:						
Rural Housing Preservation Grants						
	10.433	XXXX	45,768	-	-	-
Total U.S. Department of Agriculture			347,280	856	-	60,870
<u>U.S. Department of Transportation</u>						
<u>Federal Transit Administration</u>						
Passed-through the N.C. Department of Transportation:						
Formula Grants for Other than Urbanized Areas - Capital						
	20.509	XXXX	30,613	18,177	-	6,408
Formula Grants for Other than Urbanized Areas						
	20.509	XXXX	100,665	6,291	-	-
Enhanced Mobility of Seniors and Individuals with Disabilities						
	20.513	XXXX	57,863	3,711	-	-
Total U.S. Department of Transportation			189,141	28,179	-	6,408
<u>U. S. Department of Homeland Security</u>						
Passed-through N.C. Department of Crime Control and Public Safety:						
Division of Emergency Management						
Home Land Security Grant Program						
	97.004	XXXX	38,542	-	-	38,548
Total U. S. Department of Homeland Security			38,542	-	-	38,548
<u>U.S. Department of Health & Human Services</u>						
<u>Administration on Aging</u>						
<u>Division of Aging and Adult Services</u>						
Passed-through Red Bird Council of Governments:						
<u>Aging Cluster:</u>						
Special Programs for the Aging - Title III C						
Nutrition Services						
	93.045	XXXX	128,906	7,582	-	15,166
Nutrition Services Incentive Program						
	93.053	XXXX	12,657	-	-	-
Total Aging Cluster			141,563	7,582	-	15,166
<u>Administration for Children and Families</u>						
Affordable Care Act (ACA) Personal Responsibility						
Education Program						
	93.092	XXXX	68,488	-	-	-
Temporary Assistance for Needy Families						
	93.558	XXXX	782	-	-	-
Child Support Enforcement						
	93.563	XXXX	57,284	-	-	29,510
Promoting Safe & Healthy Families - Family Preservation						
	93.556	XXXX	7,872	-	-	-

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
Low-Income Home Energy Assistance:						
Administration	93.568	XXXX	7,220	-	-	-
Energy Assistance Payments- Direct Benefit Payments	93.568	XXXX	46,100	-	-	-
Crisis Intervention Program	93.568	XXXX	43,126	-	-	-
Total Low-Income Home Energy Assistance			96,446	-	-	-
Stephanie Tubbs Jones Child Welfare Services Program:						
- Permanency Planning - Families for Kids	93.645	XXXX	2,113	-	-	704
Total Stephanie Tubbs Jones Child Welfare Services Program			2,113	-	-	704
SSBG - TANF Child Protective Services	93.667	XXXX	37,219	4,171	-	13,797
SSBG - Other Service and Training	93.667	XXXX	33,733	12,279	-	1,972
Division of Aging and Adult Services:						
Division of Social Services:						
SSBG - State In Home Service Fund	93.667	XXXX				
SSBG - State Adult Day Care	93.667	XXXX	11,917	-	-	3,972
Social Service Block Grant (SSBG) - In Home Services	93.667	XXXX	-	-	-	3,270
Passed-through the N.C. Department of Health and Human Services:						
Division of Social Services:						
<u>Temporary Assistance for Needy Families Cluster</u>						
Temporary Assistance for Needy Families (TANF) /						
Work First	93.558	XXXX	62,546	-	-	15,770
TANF / Work First - Direct Benefit Payments	93.558	XXXX	106,444	-	-	34,381
Total TANF Cluster			168,990	-	-	50,151
<u>Foster Care and Adoption Cluster</u>						
Foster Care - Title IV-E	93.658	XXXX	74,227	19,685	-	54,541
Adoption Assistance	93.659	XXXX	2,364	-	-	2,174
Foster Care - Title IV-E - Direct Benefit Payments	93.658	XXXX	36,635	12,174	-	6,533
Adoption Assistance - Direct Benefit Payments	93.659	XXXX	61,967	19,026	-	33,061
Total Foster Care and Adoption Cluster			175,193	50,885	-	96,309
Division of Child Development and Early Education:						
Subsidized Child Care (Note 3)						
<u>Child Care Development Fund Cluster:</u>						
Division of Social Services:						
Child Care Development Mandatory and Match Fund	93.596	XXXX	80,000	-	80,000	-
- Administration						
Division of Child Development:						
Child Care and Development Block Grant	93.575	XXXX	106,875	-	106,875	-
Child Care and Development Fund -- Mandatory	93.596	XXXX	35,429	-	35,429	-
Child Care and Development Fund -- Match	93.596	XXXX	18,672	4,523	23,195	-
Total Child Care Development Fund Cluster			240,976	4,523	245,499	-
Social Services Block Grant	93.667	XXXX				-
TANF	93.558	XXXX	28,441	-	28,441	-
Foster Care Title IV-E	93.658	XXXX	1,911	979	2,890	-
Emergency Contingency Fund for Temporary						
Assistance for Needy Families State Programs	93.714	XXXX	-	-	-	-
Smart Start		XXXX	-	-	-	-
State Appropriations		XXXX	-	86,741	86,741	-
TANF-MOE		XXXX	-	20,820	20,820	-
Total Subsidized Child Care (Note 3)			271,328	113,063	384,391	-

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
Centers for Medicare and Medicaid Services						
Passed-through the N.C. Department of Health and Human Services:						
<u>Medicaid Cluster</u>						
Division of Medical Assistance:						
Direct Benefit Payments:						
Medical Assistance Program	93.778	XXXX	11,196,787	6,230,037	-	-
Division of Social Services:						
Administration:						
Medical Assistance Program	93.778	XXXX	378,786	-	-	149,490
Total Medicaid Cluster			11,575,573	6,230,037	-	149,490
Direct Benefit Payments:						
Children's Health Insurance Program (CHIP) - State N.C. Health Choice Administration:	93.767	XXXX	107,023	13,228	-	-
Children's Health Insurance Program (CHIP) - State N.C. Health Choice Administration:	93.767	XXXX	7,360	203	-	25
Total Children's Health Insurance Program (CHIP)			114,383	13,431	-	25
Centers for Disease Control						
Passed-through the N.C. Department of Health and Human Services:						
Division of Public Health:						
Public Health Emergency Preparedness	93.069	XXXX	29,682	-	-	-
Hospital Preparedness Program (HPP) and Public Health						
Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	XXXX	10,725	-	-	-
Project Grants and Cooperative Agreements for						
Tuberculosis Control Program	93.116	XXXX	43	-	-	-
Immunization Grants	93.268	XXXX	3,770	-	-	-
Cooperative Agreements for State-Based Comprehensive						
Breast and Cervical Cancer Early Detection Programs	93.919	XXXX	7,140	2,040	-	-
HIV Prevention Activities Health Department Based	93.940	XXXX	1,995	-	-	-
Preventative Health Services - Sexually Transmitted Diseases Control Grants	93.977	XXXX	269	-	-	-
Preventive Health and Health Services Block Grant	93.991	XXXX	30,991	-	-	-
Health Resources and Services Administration						
Passed-through the N.C. Department of Health and Human Services:						
Division of Public Health:						
Maternal and Child Health Services Block Grant	93.994	XXXX	23,535	16,859	-	-
Office of Population Affairs:						
Family Planning Services	93.217	XXXX	15,743	-	-	-
Total U.S. Department of Health and Human Services			12,886,777	6,450,347	384,391	364,366
Appalachian Regional Commission						
Graham County Health Care Planning Project	84.923	NC-18026	64,000	-	-	16,000
			64,000	-	-	16,000
Total federal awards			13,525,740	6,479,382	384,391	486,192
State Awards:						
N.C. Department of Agriculture and Consumer Services						
Agricultural Cost Share Program Allocation		XXXX	-	19,910	-	-
State Matching Funds Allocation		XXXX	-	3,600	-	-
Total N.C. Department of Agriculture and Consumer Services			-	23,510	-	-

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
<u>N.C. Department of Environment and Natural Resources</u>						
Division of Waste Management						
White Goods Management Program		XXXX	-	2,913	-	-
Scrap Tire Program		XXXX	-	11,691	-	-
Community Waste Reduction and Recycling Grant		XXXX	-	10,417	-	-
Total N.C. Department of Environmental and Natural Resources			-	25,021	-	-
<u>N.C. Department of Health and Human Services</u>						
Division of Aging and Adult Services						
Division of Social Services						
State/County Special Assistance for Adults - DBP		XXXX	-	54,615	-	74,616
CWS Adoption Subsidy and Vendor		XXXX	-	90,638	-	14,064
SFHF Maximization		XXXX	-	8,318	-	8,318
State Child Welfare/CPS/CS LD		XXXX	-	10,296	-	-
State Foster Home		XXXX	-	9,736	-	2,792
County Funded Service		XXXX	-	-	-	104,164
Total Division of Social Service			-	173,603	-	203,954
Division of Public Health						
General Aid to Counties		XXXX	-	75,075	-	-
General Communicable Disease Control		XXXX	-	11,336	-	-
Child Health		XXXX	-	1,197	-	-
HIV/STD SSBG Aid		XXXX	-	500	-	-
HMHC - Family Planning		XXXX	-	1,709	-	-
Maternal Health (HMHC)		XXXX	-	2,081	-	-
Food and Lodging Fees		XXXX	-	2,569	-	-
Sexually Transmitted Diseases		XXXX	-	79	-	-
School Nurse Funding Initiative		XXXX	-	50,000	-	-
Tuberculosis Medical Service		XXXX	-	540	-	-
Tuberculosis		XXXX	-	720	-	-
Women's Health Service Fund		XXXX	-	2,157	-	-
Total Division of Public Health			-	147,963	-	-
Total N. C. Department of Health and Human Services			-	321,566	-	203,954
<u>N.C. Department of Information Technology</u>						
911 Relocation and Refreshment Project Grant		XXXX	-	65,776	-	-
Total N.C. Department of Information Technology			-	65,776	-	-
<u>N.C. Department of Insurance</u>						
SHIIP Grant		XXXX	-	2,644	-	-
Total N.C. Department of Insurance			-	2,644	-	-
<u>NC Department of Public Safety</u>						
Division of Juvenile Justice and Delinquency Prevention						
Juvenile Crime Prevention Programs		XXXX	-	60,761	60,761	6,292
Total NC Department of Public Safety			-	60,761	60,761	6,292
<u>N.C. Department of Transportation</u>						
Rural Operating Assistance Program (ROAP)						
- ROAP Elderly and Disabled Transportation Assistance Program		XXXX	-	42,895	-	-
- ROAP Rural General Public Program		XXXX	-	40,476	-	-
- ROAP Work First Transitional - Employment			-	5,364	-	-
Total ROAP Cluster			-	88,735	-	-
Total N.C. Department of Transportation			-	88,735	-	-

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
<u>N.C. Division of Parks and Recreation</u>						
Parks and Recreation Trust Fund Grants		XXXX	-	44,648	-	771,000
Total N.C. Division of Parks and Recreation			-	44,648	-	771,000
Total State awards			-	632,661	60,761	981,246
Total federal and State awards			\$ 13,525,740	\$ 7,112,043	\$ 445,152	\$ 1,467,438

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

1. **Basis of Presentation**
The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Graham County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. 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 Graham County, it is not intended to and does not present the financial position, changes in net position or cash flows of Graham County.
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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Graham County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.
3. **Cluster of Programs**
The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Subsidized Child Care and Foster Care and Adoption