

Graham County, North Carolina

Financial Statements

June 30, 2013

Turner, Hatchett & Turner , CPA's, P.A.

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

Graham County, North Carolina

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Register of Deeds

Erma Phillips

Tax Assessor

Graham County, North Carolina

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FINANCIAL SECTION

Turner, Hatchett & Turner, CPA's, P.A.

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

Independent Auditors' Report

Board of Commissioners
Graham County
Robbinsville, 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 then ended June 30, 2013, 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.

Auditor's 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly 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 on our audit and the report of the other auditors, 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, 2013, and the respective changes in financial position and cash flows, where applicable, thereof 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.

Change in Accounting Principle

As discussed in Note VIII to the financial statements, in 2013 the County adopted new accounting guidance, GASB Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter

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 14, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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 Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual 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 January 31, 2014 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 grant agreements and other matters. The purpose 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, Hatchett & Turner, CPA's, P.A.
Murphy, North Carolina

January 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Graham County, North Carolina
Management's Discussion and Analysis
June 30, 2013

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, 2013. 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.

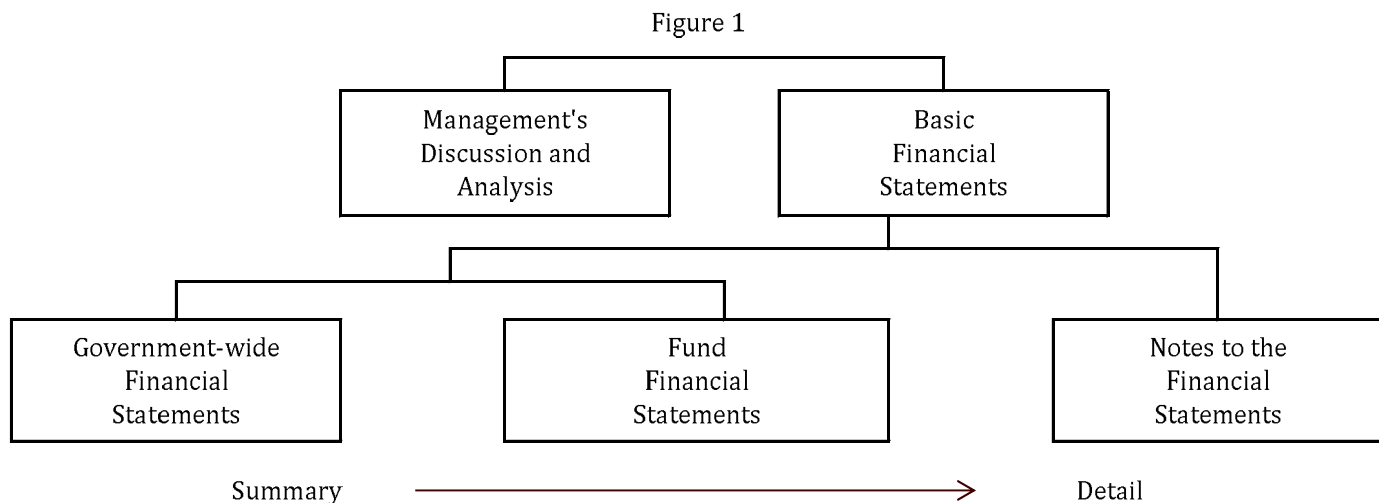
Financial Highlights

- 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 \$9,380,686 (net position).
- The government's total net position increased by \$2,816,974.
- As of the close of the current fiscal year, Graham County's governmental funds reported combined ending fund balances of \$5,368,754, after a net increase in fund balance of \$1,285,244. Approximately 40.16 percent of this total amount, or \$2,156,287, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,262,512, or 23.73 percent of total general fund expenditures for the fiscal year.
- Graham County, North Carolina's total debt decreased by \$126,337 (2.30%) during the current fiscal year. Graham County increased its net capital lease obligation by \$80,138 for the new phone system upgrade. Graham County's proceeds from installment purchases increased by \$388,746 for the acquisition of an ambulance for EMS and vehicle acquisition for the sheriff's department and EMS. The primary factor in the net decrease in debt was the scheduled principal repayments.

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



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 and internal service 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.

Following the notes is the required supplemental information. This section contains statements of revenues, expenditures and changes in fund balance - budget and actual for the general fund; capital projects funds, and non-major funds. It also includes information related to the agency funds and the property tax levy and related receivables due to the County.

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 it has changed. Net position is the difference between the County's total 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 was created to promote and develop travel and tourism in the area of Graham County. The Authority is governed by a seven-member board which is appointed by the Graham County Board of Commissioners.

The Graham County Rural Development Authority 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. The Authority 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, North Carolina maintains six governmental funds. Information is presented separately in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and Economic Development Fund, which is considered to be a major fund. Data from the other four funds are combined by type, aggregated and presented separately from the major funds. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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 seven 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 start on pages 26 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information required by NC General Statutes concerning Graham County, North Carolina. This section contains statements of revenue, expenditures and changes in fund balance budget and actual for the General Fund and Non-major Special Revenue and Capital Projects Funds. It also includes information related to agency funds and the property tax levy and receivables due to the County. Supplementary information can be found beginning on page 50 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 \$9,380,686 as of June 30, 2013. The County's net position increased by \$2,816,974 for the fiscal year ended June 30, 2013. One of the largest portions \$6,663,691 (71.04%) 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 \$2,156,287 (22.99%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$560,708 (13.74%) is unrestricted.

Graham County, North Carolina's Net Position
Figure 2

	Governmental Activities	
	2013	2012
Current and other assets	\$ 7,085,403	\$ 5,975,639
Capital assets	8,590,998	7,609,963
Deferred outflows of resources	45,520	50,110
Total assets and deferred outflows of resources	<u>15,721,921</u>	<u>13,635,712</u>
Long-term liabilities outstanding	5,571,141	5,671,561
Other liabilities	702,819	1,353,071
Deferred inflows of resources	67,275	47,368
Total liabilities and deferred inflows of resources	<u>6,341,235</u>	<u>7,072,000</u>
Net position:		
Net investment in capital assets	6,663,691	5,835,712
Restricted	2,156,287	1,453,848
Unrestricted	560,708	(725,848)
Total net position	<u>\$ 9,380,686</u>	<u>\$ 6,563,712</u>

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 96.75% (ad valorem), lower than the statewide average of 98.30%, and slightly lower than the county average of 97.64% for counties with populations between 2,500 and 9,999. The percentage collection rate increased slightly due to increased vigilance on the part of the Tax Collector to collect taxes in a timely manner.
- The prior year increase of the property tax rate from \$.405 per hundred to \$.44 per hundred continued to positively affect the net position of the County.
- Increased charges for services revenue due to growth in the use of County facilities, and higher operating grant revenues.
- Continued pay down of debt balances positively influenced net position.
- One major taxpayer sold its assets and operations in 2013. This resulted in increased register of deeds fees paid for the transfer of property.

Graham County, North Carolina's Changes in Net Position
Figure 3

	Governmental Activities	
	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 3,147,679	\$ 1,967,751
Operating grants and contributions	3,879,685	3,713,183
Capital grants and contributions	1,223,795	533,826
General revenues:		
Property taxes	5,370,174	5,547,994
Other taxes	1,615,321	1,394,175
Grants and contributions not restricted to specific programs	803,001	1,122,166
Investment earnings, unrestricted	16,689	19,635
Other	92,979	525,662
Total revenues	<u>16,149,323</u>	<u>14,824,392</u>
Expenses:		
General government	2,656,140	2,161,011
Public safety	3,359,398	3,515,543
Transportation	510,916	463,130
Economic and physical development	251,762	655,897
Environment protection	872,550	930,166
Human services	3,957,876	3,916,564
Cultural and recreational	453,405	301,834
Education	1,076,903	928,782
Interest on long-term debt	193,399	196,697
Total expenses	<u>13,332,349</u>	<u>13,069,624</u>
Change in net position	2,816,974	1,754,768
Net position, beginning current year restated	6,563,712	4,808,944
Net position, ending	<u>\$ 9,380,686</u>	<u>\$ 6,563,712</u>

Governmental activities. Governmental activities increased the County's net position by \$2,816,974. Key elements of this increase are as follows:

- The amount of the PILT Funds was reduced significantly from \$235,000 to \$67,000. The reduction is connected to the Secure Rural Schools money being withheld from the PILT payments that are made by the US Forest Service (USFS). The USFS, however, paid the remaining balance in the next fiscal year.
- Property tax collections increased by a total of \$484,654 (9.8%) due to the increase in the property tax rate from \$.405 per hundred to \$.44 per hundred. The actual property tax percentage collection rate decreased due to the increase in the total levy diluting the ratio.
- Total governmental revenues increased by 9% due to slight increases in shared revenues and increases in operating capital grants and in spite of substantial declines in sales tax revenues due to changes in State shared revenue formulas and economic conditions across the State. Part of the increase stemmed from revenues passed from NCDHHS to Southwestern Child Development Commission for subsidized daycare.
- Grant revenues increased by 10% between 2012 and 2013.
- Total governmental expenditures increased somewhat due to construction expenditures for capital projects and increased personnel costs; Graham County likewise provided additional funding to Graham County Schools.

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 \$3,649,247 while total fund balance reached \$4,836,377. 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 26.52% of general fund expenditures, while total fund balance represents 35.15% of that same amount.

At June 30, 2013, the governmental funds of Graham County reported a combined fund balance of \$5,368,754, a 31.47% increase over last year. The primary reason for this increase was attributed to increases in operating grants and 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 \$1,851,105. 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, 2013, total \$8,590,998 (net of accumulated depreciation). These assets include land, construction in progress, buildings, equipment, and vehicles.

Major capital asset transactions during the year included:

- Addition of construction in progress on the Senior Center Project and Transit Facility Project
- Purchase of three new police cruisers and a Ford F-150 truck for the Sheriff's Department.
- Purchase of a two new ambulances from the 911 public safety funds.
- Purchase of a 2012 Ford truck for the Emergency Management department.
- Purchase of a Kenworth truck for the Recycling department.
- A Cisco phone system upgrade that will benefit all departments.

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

Figure 4

Governmental Activities:	2013	2012
Land	\$ 981,591	\$ 981,591
Construction in progress	957,402	32,400
Buildings	4,057,314	4,196,522
Other improvements	926,142	921,558
Equipment	844,249	874,190
Vehicles	824,300	603,702
Total	\$ 8,590,998	\$ 7,609,963

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, 2013, Graham County, North Carolina had total bonded debt outstanding of \$2,405,000 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	
	2013	2012
General obligation bonds	\$ 2,405,000	\$ 2,600,000
Capital leases	205,009	201,382
Installment purchases	2,749,544	2,684,508
Total	<u>\$ 5,359,553</u>	<u>\$ 5,485,890</u>

Graham County, North Carolina's total debt decreased by \$126,337 (2.30%) during the current fiscal year. Graham County increased its net capital lease obligation by \$80,138 for the new phone system upgrade. Graham County's proceeds from installment purchases increased by \$388,746 for the acquisition of an ambulance for EMS and vehicle acquisition for the sheriff's department and EMS. The primary factor in the net decrease in debt was the scheduled principal repayments.

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 \$97,113,706.

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.

Total revenue increased largely due to additional grant revenues and increased vigilance in collection of current and past due property taxes. Extended collection procedures with overdue taxes, including garnishment, debt setoff and attachment allowed the tax collections to increase. While shared revenues from the State increased overall due to the increase in TVA PILT allotments and increases in sales tax revenues. The economy in the County for the fiscal year remained stable with small growth. The County continues to experience significant unemployment (averaging between 14 - 16%) which has impacted projections for property tax collections for the coming fiscal year. For these reasons, management budgeted conservatively to account for potential decreases in shared revenues and in property tax collections. Management budgeted increases in estimated health insurances costs to account for anticipated implementation of the Affordable Care Act. The County continues to monitor strict policies for spending to try to alleviate the projected declines in revenue expected for 2014. The County continues to maintain staff levels at levels lower than pre-recession employment in order to curtail spending.

Budget Highlights for the Fiscal Year Ending June 30, 2014

The property tax rate was increased from \$.44 to \$.46 per hundred for the purpose of raising additional revenue. The anticipated increase in property tax revenue is expected to offset the potential decrease in other revenue sources. The County will become more aggressive in its efforts to collect overdue taxes from individuals and businesses. In addition to the increase in the millage rate some local fees were also increased.

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@graham.nc.gov for more information.

BASIC FINANCIAL STATEMENTS

Graham County, North Carolina

Exhibit 1

Statement of Net Position

June 30, 2013

	Primary	Component Units	
	Government	Travel and	Rural
	Governmental	Tourism	Development
	Activities	Authority	Authority
ASSETS			
Cash and cash equivalents	\$ 3,898,944	\$ 73,400	\$ 130,230
Restricted assets - cash	938,012	-	-
Receivables (net)	1,045,930	26,389	-
Due from other governments	920,444	6,083	75,000
Due from component unit	4,172	-	-
Inventories	-	-	24,561
Prepaid items	277,901	-	-
Capital assets:			
Land, improvements, and construction in progress	1,938,993	-	-
Other capital assets, net of depreciation	6,652,005	3,589	-
Total capital assets	8,590,998	3,589	-
Total assets	15,676,401	109,461	229,791
DEFERRED OUTFLOWS OF RESOURCES			
Charge on refunding	45,520	-	-
Total deferred outflows of resources	45,520	-	-
LIABILITIES			
Accounts payable and accrued expenses	680,860	7,650	-
Accrued interest payable	21,959	-	-
Due to primary government	-	4,172	-
Long-term liabilities:			
Due within one year	701,122	-	-
Due in more than one year	4,870,019	-	-
Total long-term liabilities	5,571,141	-	-
Total liabilities	6,273,960	11,822	-
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	67,275	-	-
Total deferred inflows of resources	67,275	-	-
NET POSITION			
Net investment in capital assets	6,663,691	3,589	-
Restricted for:			
Transportation	39,067	-	-
Public safety	192,162	-	-
Economic development	288,907	-	-
Education	62,420	-	-
Register of deeds	90,374	-	-
Stabilization by state statute	1,288,483	28,300	75,000
Courts	6,997	-	-
Law enforcement	5,166	-	-
Tax revaluation	182,711	-	-
Unrestricted (deficit)	560,708	65,750	154,791
Total net position	\$ 9,380,686	\$ 97,639	\$ 229,791

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

Statement of Activities

For the Year Ended June 30, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 2,656,140	\$ 531,926	\$ 12,423	\$ -
Public safety	3,359,398	901,710	284,326	-
Transportation	510,916	8,848	366,800	748,072
Economic and physical development	251,762	795,134	1,000	33,641
Environmental protection	872,550	179,947	38,532	-
Human services	3,957,876	685,577	2,882,709	184,812
Cultural and recreation	453,405	44,537	54,692	18,270
Education	1,076,903	-	239,203	239,000
Interest on long-term debt	193,399	-	-	-
Total governmental activities	<u>\$ 13,332,349</u>	<u>\$ 3,147,679</u>	<u>\$ 3,879,685</u>	<u>\$ 1,223,795</u>
Component units:				
Travel and Tourism Authority	\$ 150,615	\$ -	\$ -	\$ -
Rural Development Authority	15,244	-	-	-
Total component units	<u>\$ 165,859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Grants and contributions not restricted to specific programs

Investment earnings, unrestricted

Miscellaneous, unrestricted

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government		Component Units	
Governmental Activities	Total	Travel and Tourism Authority	Rural Development Authority
\$ (2,111,791)	\$ (2,111,791)		
(2,173,362)	(2,173,362)		
612,804	612,804		
578,013	578,013		
(654,071)	(654,071)		
(204,778)	(204,778)		
(335,906)	(335,906)		
(598,700)	(598,700)		
(193,399)	(193,399)		
(5,081,190)	(5,081,190)		
		\$ (150,615)	\$ -
		-	(15,244)
		(150,615)	(15,244)
	5,370,174	-	-
	1,563,052	-	-
	52,269	182,197	-
	803,001	-	-
	16,689	65	153
	92,979	-	-
	7,898,164	182,262	153
	2,816,974	31,647	(15,091)
	6,563,712	65,992	244,882
\$ 9,380,686	\$ 9,380,686	\$ 97,639	\$ 229,791

Graham County, North Carolina

Exhibit 3

Balance Sheet

Governmental Funds

June 30, 2013

	Major		Non-Major	Total Governmental Funds
	General	EDC Special Revenue Fund	Other Governmental Funds	
ASSETS				
Cash and cash equivalents	\$ 3,898,944	\$ -	\$ -	\$ 3,898,944
Restricted cash	454,920	288,034	195,058	938,012
Receivables, net				
Taxes	309,934	-	-	309,934
Accounts	36,320	-	41,096	77,416
Capital lease receivable	-	649,155	-	649,155
Due from other governments	868,143	-	52,301	920,444
Due from other funds	594	-	7,956	8,550
Due from component unit	4,172	-	-	4,172
Prepaid items	277,901	-	-	277,901
Total assets	<u>\$ 5,850,928</u>	<u>\$ 937,189</u>	<u>\$ 296,411</u>	<u>\$ 7,084,528</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 629,386	\$ -	\$ 51,474	\$ 680,860
Due to other funds	7,956	100	494	8,550
Total liabilities	<u>637,342</u>	<u>100</u>	<u>51,968</u>	<u>689,410</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	309,934	-	-	309,934
Direct financing lease receivable	-	649,155	-	649,155
Unearned revenue	67,275	-	-	67,275
Total deferred inflows of resources	<u>377,209</u>	<u>649,155</u>	<u>-</u>	<u>1,026,364</u>
Fund balances:				
Restricted:				
Register of deeds	90,374	-	-	90,374
Stabilization by state statute	1,187,130	-	101,353	1,288,483
Transportation	39,067	-	-	39,067
Law enforcement	5,166	-	-	5,166
Public safety	-	-	192,162	192,162
Economic development	-	287,934	973	288,907
School capital	62,420	-	-	62,420
Courts	6,997	-	-	6,997
Committed:				
Tax revaluation	182,711	-	-	182,711
Assigned				
Subsequent year's expenditures	-	-	-	-
Unassigned:	3,262,512	-	(50,045)	3,212,467
Total fund balances	<u>4,836,377</u>	<u>287,934</u>	<u>244,443</u>	<u>5,368,754</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,850,928</u>	<u>\$ 937,189</u>	<u>\$ 296,411</u>	<u>\$ 6,058,164</u>

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

Graham County, North Carolina

Exhibit 3

Balance Sheet

Governmental Funds

June 30, 2013

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

Total Fund Balance, Governmental Funds	5,368,754
Deferred charges related to current refunding bond issue	45,520
Interest receivable accrued on property taxes are not current financial resources and therefore are not reported in the funds	9,425
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	8,590,998
Deferred inflows of resources for taxes and capital lease receivable	959,089
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	(21,959)
Long-term obligations	<u>(5,571,141)</u>
Net position of governmental activities	<u>\$ 9,380,686</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, 2013

	Major		Non-Major	Total Governmental Funds
	General Fund	EDC Special Revenue Fund	Other Governmental Funds	
REVENUES				
Ad valorem taxes	\$ 5,562,047	\$ -	\$ -	\$ 5,562,047
Local option sales taxes	1,563,052	-	-	1,563,052
Other taxes and licenses	52,269	-	-	52,269
Unrestricted intergovernmental	803,001	-	-	803,001
Restricted intergovernmental	3,610,865	-	1,174,159	4,785,024
Other restricted revenue	315,045	135,504	-	450,549
Permits and fees	522,334	-	-	522,334
Sales and services	1,844,097	-	-	1,844,097
Investment earnings	4,996	11,543	150	16,689
Miscellaneous	79,795	13,184	-	92,979
Total revenues	<u>14,357,501</u>	<u>160,231</u>	<u>1,174,309</u>	<u>15,692,041</u>
EXPENDITURES				
Current:				
General government	2,765,803	-	-	2,765,803
Public safety	4,467,858	-	79,500	4,547,358
Transportation	462,234	-	741,150	1,203,384
Economic and physical development	138,975	78,134	33,640	250,749
Human services	3,954,844	-	184,812	4,139,656
Cultural and recreational	399,003	-	-	399,003
Intergovernmental:				
Education	1,356,297	-	-	1,356,297
Special appropriations	213,431	-	-	213,431
Total expenditures	<u>13,758,445</u>	<u>78,134</u>	<u>1,039,102</u>	<u>14,875,681</u>
Excess (deficiency) of revenues over expenditures	<u>599,056</u>	<u>82,097</u>	<u>135,207</u>	<u>816,360</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	25,130	-	-	25,130
Transfers to other funds	-	-	(25,130)	(25,130)
Capital lease obligations issued	80,138	-	-	80,138
Proceeds from long-term debt	388,746	-	-	388,746
Total other financing sources and uses	<u>494,014</u>	<u>-</u>	<u>(25,130)</u>	<u>468,884</u>
Net change in fund balance	1,093,070	82,097	110,077	1,285,244
Fund balance, beginning	<u>3,743,307</u>	<u>205,837</u>	<u>134,366</u>	<u>4,083,510</u>
Fund balances, ending	<u>\$ 4,836,377</u>	<u>\$ 287,934</u>	<u>\$ 244,443</u>	<u>\$ 5,368,754</u>

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, 2013**

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

Net changes in fund balances - total governmental funds	\$ 1,285,244
<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	1,640,344
Depreciation	(659,309)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>	
	457,282
<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	(388,746)
Capital lease obligations	(80,138)
Debt service repayments	595,221
Amortization of debt issuance costs	(4,590)
<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	(25,917)
Gain (Loss) from disposal of fixed assets	-
Accrued interest payable	(2,417)
	(2,417)
Total changes in net position of governmental activities	\$ 2,816,974

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, 2013

	General Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Ad valorem taxes	\$ 5,357,172	\$ 5,372,172	\$ 5,562,047	\$ 189,875
Local option sales taxes	1,049,000	1,259,000	1,563,052	304,052
Other taxes and licenses	45,000	45,000	52,269	7,269
Unrestricted intergovernmental	857,495	799,495	803,001	3,506
Restricted intergovernmental	2,845,464	3,026,223	3,610,865	584,642
Other restricted revenues	80,300	435,180	315,045	(120,135)
Permits and fees	43,583	433,517	522,334	88,817
Sales and services	2,152,991	2,237,991	1,844,097	(393,894)
Investment earnings	5,500	5,500	4,884	(616)
Miscellaneous	7,500	51,258	79,795	28,537
Total revenues	<u>12,444,005</u>	<u>13,665,336</u>	<u>14,357,389</u>	<u>692,053</u>
EXPENDITURES				
Current:				
General government	2,415,686	2,853,156	2,755,921	97,235
Public safety	3,961,615	4,617,451	4,467,858	149,593
Transportation	609,609	619,609	462,234	157,375
Economic and physical development	139,018	140,018	138,975	1,043
Human services	3,956,901	4,050,818	3,954,844	95,974
Cultural and recreational	387,188	405,452	399,003	6,449
Special appropriations	1,043,578	1,678,197	1,569,728	108,469
Total expenditures	<u>12,513,595</u>	<u>14,364,701</u>	<u>13,748,563</u>	<u>616,138</u>
Revenues over (under) expenditures	<u>(69,590)</u>	<u>(699,365)</u>	<u>608,826</u>	<u>1,308,191</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	25,130	25,130
Transfers out	(75,000)	(75,000)	(75,000)	-
Capital lease obligations issued	-	-	80,138	80,138
Proceeds from long term debt issue	-	474,403	388,746	(85,657)
Total other financing sources (uses)	<u>(75,000)</u>	<u>399,403</u>	<u>419,014</u>	<u>19,611</u>
Fund balance appropriated/(additions)	144,590	299,962	-	(299,962)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,027,840</u>	<u>\$ 1,027,840</u>
Fund balance, beginning			<u>3,625,772</u>	
Fund balance, ending			<u>\$ 4,653,612</u>	
A legally budgeted Tax Revaluation is consolidated into the General Fund for reporting purposes:				
Investment earnings			\$ 112	
Transfer in from General Fund			75,000	
Expenditures			(9,882)	
Fund Balance, Beginning			<u>117,535</u>	
Fund Balance, Ending (Exhibit 4)			<u>\$ 4,836,377</u>	

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

Economic Development Fund			
Original Budget	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	148,268	135,504	(12,764)
-	-	-	-
-	-	11,543	11,543
-	13,184	13,184	-
-	161,452	160,231	(1,221)
-	-	-	-
-	-	-	-
-	78,184	78,134	50
-	-	-	-
-	-	-	-
-	78,184	78,134	50
-	83,268	82,097	(1,171)
-	-	-	-
-	-	-	-
-	-	-	-
-	(83,268)	-	83,268
<u>\$ -</u>	<u>\$ -</u>	<u>82,097</u>	<u>\$ 82,097</u>
		205,837	
		<u>\$ 287,934</u>	

Graham County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013

Exhibit 7

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 41,505
LIABILITIES	
Liabilities:	
Miscellaneous liabilities	\$ 40,325
Due to Town of Robbinsville	408
Due to Town of Santeetlah	27
Due to Town of Fontana	64
Intergovernmental payable -State of North Carolina	681
Total liabilities	\$ 41,505

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, 2013

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Graham County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2013

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Graham County, North Carolina

Notes to the Financial Statements

For the Year Ended June 30, 2013

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 (the "Authority") 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. The Authority is governed by a five-member board of directors, all of whom are appointed by the Graham County Board of Commissioners. The County can remove any board member of the Authority with cause. The Authority, 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, PO Box 722, Robbinsville, NC 28771.

Graham County Travel and Tourism Authority - The Graham County Travel and Tourism Authority (the "Authority") was created to promote activities and programs which encourage travel and tourism the area. The Authority is governed by a seven-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 cause. The Authority, 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 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.

B. Basis of Presentation, Basis of Accounting (continued)**Basis of Presentation, Measurement Focus – Basis of Accounting (continued)**

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 Tax 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 Special Revenue 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.

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 Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to the Graham County Board of Education and the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; 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 Share the Warmth Fund, which accounts for monies held by the County to help families in the area struggling to pay for fuel/electricity; the 4-H Club Fund, which accounts for the monies deposited for the 4-H activities; the Yuletide Helpers Fund, which accounts for monies held by the County to purchase Christmas presents for needy children; and the Deed of Trust Fee Fund, which accounts for the various fees collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

Non-major Funds. The County maintains five legally budgeted funds. The Emergency Telephone System Fund, the CDBG Scattered Site Housing Fund, and the ARC Rural Center - Stanley Furniture Building Reuse Fund are reported as non-major special revenue funds. The CDBG Contingency Grant - Senior Center Construction Project Fund, and the NCDOT/ ARRA Grant - Transit Facility Construction Project Fund are reported as capital projects funds.

Measurement Focus, Basis of Accounting

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. As of June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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 the law, Graham County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County.

For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March, 2012 through February, 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable on 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, and Fund Equity**1. Deposits and Investments**

All deposits of the County, are made in board-designated official depositories and are secured as required by G.S. 159-31. The County may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County 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 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).

2. Cash and Cash Equivalents

Graham County pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash investments. In addition, Graham County considers investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. Monies held in the Economic Development Commission Fund are considered to be restricted as to use due to restrictions included in the grant agreement from Golden Leaf Foundation. Proceeds from the grant were used to construct equipment on behalf of Stanley Furniture. Under the terms of the grant, the equipment was then sold to Stanley Furniture under a capital lease agreement. Likewise, according to the terms of the grant agreement with Golden Leaf, the capital lease payments are to be restricted to future economic development activities in the County. Money in the Tax Revaluation Fund is also classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. Other funds held for the Agriculture Extension, Sheriff, Transportation and Register of Deeds departments are likewise restricted as to use.

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, 2012. 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. Inventories 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.

Graham County Rural Development Authority's inventory consists of land that is stated 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 are recorded at their estimated fair value at the date of donation. 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.

Property, plant, and equipment of the Graham County Travel and Tourism Authority are depreciated over their useful lives on a straight- line basis as follows:

	<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 one item that meets this criterion - a charge on refunding that had previously been classified as an asset. 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 only three items that meet the criterion for this category - capital lease receivable, property tax receivable, and prepaid taxes.

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:

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

11. Net Position/Fund Balances (continued)

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 Transportation - 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.

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 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. Reclassifications

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

13. 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.

14. Major Taxpayer

The County has one major taxpayer with property valued at \$184,051,420.

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 \$4,011,932 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)	\$ 14,173,925
Less accumulated depreciation	<u>(5,582,927)</u>
Net capital assets	8,590,998
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not current financial resources	45,520
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	9,425
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide statements	959,089
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	(5,359,553)
Compensated absences	(211,588)
Accrued interest payable	<u>(21,959)</u>
Total adjustment	<u>\$ 4,011,932</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 \$1,531,730 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,640,344
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	(659,309)
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	(468,884)
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	595,221
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	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	(2,417)
Amortization of refunding costs not recorded on fund statements	(4,590)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(25,917)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Increase in deferred inflows of resources - taxes receivable - at end of year	(182,810)
Gain (loss) disposal of fixed assets	-
Increase in accrued taxes receivable at end of year	(9,062)
Capital lease receivable considered unavailable revenue in the fund statements but recorded as revenue in the government-wide statements	649,154
Total adjustment	<u>\$ 1,531,730</u>

II. Stewardship, Compliance, and Accountability**A. Significant Violations of Finance-Related Legal and Contractual Provisions****1. Noncompliance with North Carolina General Statutes**

G.S. 161-4(a) requires every register of deeds to give bond with sufficient surety to be approved by the board of county commissioners, in a sum of not less than \$10,000 nor more than \$50,000. During the fiscal year Graham County had a \$100,000 bond for the Register of Deeds. This amount is in excess of the statutory limit. The County Finance Officer contacted the insuring company to correct the issue, however, was informed that the change would not be effective until renewal in July 2013. The finance officer is working with the insurer to get the issue rectified.

B. Excess of Expenditures over Appropriations

In accordance with budgetary control procedures outlined in G.S. 159-28, 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. At June 30, 2013, Graham County reported the following expenditures which exceeded the amounts appropriated in the budget ordinance.

Department	Budget	Expenditures	Variance
Administration	\$ 504,876	\$ 514,837	\$ (9,961)

Management continues to monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations.

III. Detail Notes on All Funds**A. Assets****1. Deposits**

All of the County'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 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, 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 or with the escrow agent.

Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding custodial credit risk for deposits.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At year-end, the County's deposits had a carrying amount of \$4,878,060 and a bank balance of \$5,327,782. Of the bank balance, \$500,000 was covered by federal depository insurance and \$4,827,782 was covered by collateral held under the Pooling Method. The County had petty cash on hand at June 30, 2013, in the amount of \$401.

Deposits of the Graham County Travel & Tourism Authority had a carrying amount of \$73,400 and a bank balance of \$81,436, all of which was covered by federal depository insurance.

Deposits of the Graham County Rural Development Authority had a carrying amount of \$130,230 and a bank balance of \$130,448, all of which was covered by federal depository insurance.

2. Receivables - Allowance for Doubtful Accounts

Receivables at the government-wide level at June 30, 2013, were as follows:

	Accounts	Taxes Receivable	Accrued Interest Receivable on Taxes	Direct Financing Lease	Total
Governmental Activities:					
General	\$ 44,292	\$ 538,597	\$ 9,425	\$ -	\$ 592,314
Other governmental	41,096	-	-	649,155	690,251
Total receivables	85,388	538,597	9,425	649,155	1,282,565
Allowance for doubtful accounts	7,972	228,663	-	-	236,635
Total governmental activities	<u>\$ 77,416</u>	<u>\$ 309,934</u>	<u>\$ 9,425</u>	<u>\$ 649,155</u>	<u>\$ 1,045,930</u>

In January 2011, Graham County entered into a direct financing lease with Stanley Furniture Company, Inc. for \$973,000 in equipment. The terms of the direct financing lease require 84 payments of \$12,243 over a period of 84 months, including interest at 1.578%. The future lease payments to be received, including interest, are accounted for in the Economic Development Fund.

For Graham County, the future minimum lease payments to be received and the net present value of these minimum lease payments to be received as of June 30, 2013, are as follows:

Year ending June 30,	
2014	\$ 146,912
2015	146,912
2016	146,912
2017	146,912
2018	85,699
Total minimum lease payments to be received	<u>673,347</u>
Less: amount representing interest	24,192
Present value of the minimum lease payments to be received	<u>\$ 649,155</u>

Discretely presented component units

Graham County Travel and Tourism Authority's \$26,389 in accounts receivable at June 30, 2013 are deemed to be fully collectible and are presented at unpaid balances.

3. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2013, was as follows:

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 981,591	\$ -	\$ -	\$ -	\$ 981,591
Construction in progress	32,400	925,002	-	-	957,402
Total capital assets not being depreciated	<u>1,013,991</u>	<u>925,002</u>	<u>-</u>	<u>-</u>	<u>1,938,993</u>
Capital assets being depreciated:					
Buildings	5,361,278	-	-	-	5,361,278
Other improvements	1,047,354	47,518	-	-	1,094,872
Equipment	2,418,824	200,218	-	-	2,619,042
Vehicles	2,692,134	467,606	-	-	3,159,740
Total capital assets being depreciated	<u>11,519,590</u>	<u>715,342</u>	<u>-</u>	<u>-</u>	<u>12,234,932</u>
Less accumulated depreciation for:					
Buildings	1,164,756	139,208	-	-	1,303,964
Other improvements	125,796	42,934	-	-	168,730
Equipment	1,544,634	230,159	-	-	1,774,793
Vehicles	2,088,432	247,008	-	-	2,335,440
Total accumulated depreciation	<u>4,923,618</u>	<u>659,309</u>	<u>-</u>	<u>-</u>	<u>5,582,927</u>
Total capital assets being depreciated, net	<u>6,595,972</u>				<u>6,652,005</u>
Governmental activity capital assets, net	<u>\$ 7,609,963</u>				<u>\$ 8,590,998</u>

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

General government	\$ 78,579
Public safety	311,846
Transportation	47,639
Economic and physical development	842
Environmental protection	55,219
Human services	111,396
Cultural and recreational	<u>53,788</u>
Total depreciation expense	<u>\$ 659,309</u>

Construction commitments

The County has two active construction projects as of June 30, 2013. The projects under construction are the Transit Facility for which ground breaking occurred in July 2012 and the Senior Center which commenced in March 2013.

Project	Spent-to-date	Remaining Commitment
Transit Facility	\$ 773,550	\$ 53,178
Senior Center	184,812	400,408
Total	<u>\$ 958,362</u>	<u>\$ 453,586</u>

Discretely presented component units

Capital asset activity for the Graham County Travel and Tourism Authority for the year ended June 30, 2013, was as follows:

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Capital assets being depreciated:					
Furniture, fixtures and equipment	\$ 14,069	-	-	-	\$ 14,069
Total capital assets being depreciated	<u>14,069</u>	-	-	-	<u>14,069</u>
Less accumulated depreciation for:					
Furniture, fixtures and equipment	9,347	1,133	-	-	10,480
Total accumulated depreciation	<u>9,347</u>	<u>1,133</u>	-	-	<u>10,480</u>
Total capital assets being depreciated, net	<u>\$ 4,722</u>				<u>\$ 3,589</u>

B. Liabilities**1. Payables**

Payables at the government-wide level at June 30, 2013, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 382,424	\$ 246,962	\$ 629,386
Other governmental	51,474	-	51,474
Total-governmental activities	<u>\$ 433,898</u>	<u>\$ 246,962</u>	<u>\$ 680,860</u>

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

Plan Description: Graham County contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, or by calling (919) 981-5454.

Funding Policy: Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for general employees not engaged in law enforcement, for Department of Social Services employees, for Health Department employees, and for law enforcement officers is 11.58%, 6.74%, 6.74%, and 11.61%, respectively, of annual covered payroll. The contribution requirements of members and of Graham County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$408,266, \$393,385, and \$370,302, respectively. The contributions made by the County equaled the required contributions for each year.

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. The Separation Allowance is reported in the County's report as a pension trust fund.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>15</u>
Total	<u><u>15</u></u>

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

Basis of Accounting: Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments: Investments are reported at fair value. Short-term money market debt instruments, deposits, and repurchase agreements, are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

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 benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

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, 2013 were \$23,496, which consisted of \$23,496 from the County and \$0 from the law enforcement officers.

d. Registers of Deeds' Supplemental Pension Fund

Plan Description: Graham County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund 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. 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, or by calling (919) 981-5454.

Funding Policy: On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 3 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2013, the County's required and actual contributions were \$627.

e. Other Post-Employment Benefits

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.

f. Other Employment Benefits (continued)

The County has also 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. All death benefit payments are made from the Death Benefit Plan. 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. The County considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The amount of deferred outflows of resources is a charge on refunding of debt of \$45,520.

Deferred inflows of resources at year-end is comprised of the following:

	Unavailable Revenue	Unearned Revenue
General Fund		
Prepaid taxes not yet earned	\$ 67,275	\$ 67,275
Taxes receivable, net less penalties	309,934	-
Total General Fund	<u>377,209</u>	<u>67,275</u>
Capital lease receivable (EDC Special Revenue Fund)	649,155	-
Total deferred inflows of resources	<u>\$ 1,026,364</u>	<u>\$ 67,275</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 has obtained property coverage equal to replacement cost values of owned property subject to a limit of \$16,161,868 for any one occurrence, general, auto, and professional liability at \$2 million per occurrence and employment practices liability of \$1 million per occurrence, auto physical damage for owned autos at actual cash value, crime coverage of \$500,000 per occurrence, worker's compensation up to the statutory limits, and health and dental insurance for County employees. The County is also covered up to \$1 million for flood and earthquake damage.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more of the County's funds at any given time are performance 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 remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

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

5. Contingent Liabilities

At June 30, 2013, 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 ambulances, phone equipment and a garbage truck. 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, 2013, the County leased vehicles and equipment valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles - Garbage Truck	\$ 130,000	\$ 32,500	\$ 97,500
Equipment - Cisco Phone Lease	80,138	9,540	70,598
Total	<u>\$ 210,138</u>	<u>\$ 42,040</u>	<u>\$ 168,098</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, are as follows:

Year ending June 30,	
2014	\$ 55,850
2015	55,850
2016	55,850
2017	55,849
2018	6,495
Total minimum lease payments	<u>229,894</u>
Less: amount representing interest	<u>24,885</u>
Present value of the minimum lease payments	<u>\$ 205,009</u>

b. Installment Purchases

The County has entered into several installment purchase contracts. Installment purchase contracts outstanding at June 30, 2013, are as follows:

On September 12, 2003, the County entered into a \$1,075,218 installment purchase for a new transfer station. The installment purchase requires 21 semiannual payments of \$38,401 and one final payment of \$19,281, including interest at 5.07%. The installment purchase matures on September 12, 2014.	\$ 95,607
On February 13, 2012, the County entered into a \$70,461 installment purchase for a vehicle. The installment purchase requires 3 annual payments of \$25,511, including interest at 4.25%. The installment purchase matures on February 13, 2015.	47,945
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.	1,027,246
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 4.4%. The installment purchase matures on November 21, 2021.	1,190,000

b. Installment Purchases (continued)

On September 21, 2012, the County entered into a \$174,265 installment purchase for the purchase of a new EMS Ambulance. The installment purchase requires 3 annual payments of \$ 63,094, including interest at 4.25%. The installment purchase matures on September 21, 2015.

174,265

On June 7, 2013, the County entered into a \$214,481 installment purchase for the purchase of Sheriff and EMS vehicles. The installment purchase requires 3 annual payments of \$75,258, including interest at 2.61%. The installment purchase matures on June 7, 2016.

214,481

\$ 2,749,544

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2014	\$ 450,016	\$ 69,852
2015	397,202	55,099
2016	358,258	43,074
2017	224,394	32,414
2018	224,393	26,240
2019-2023	1,095,281	43,218
Total	<u>\$ 3,019,441</u>	<u>\$ 269,897</u>

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 May 1, 2004, the County issued \$4,275,000 of general obligation advance refunding bonds. The advance refunding bonds are due in annual installments beginning June 1, 2005, of varying amounts ranging from \$165,000 to \$265,000 through June 1, 2023, with interest rates varying from 2.5% to 4.5%.

\$ 2,405,000

Annual debt service requirements for general obligation bonds to maturity are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2014	\$ 205,000	\$ 100,432
2015	210,000	93,000
2016	220,000	85,126
2017	230,000	76,326
2018	240,000	67,126
2019-2023	1,300,000	180,790
Total	<u>\$ 2,405,000</u>	<u>\$ 602,800</u>

d. Long-Term Obligation Activity

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 2,600,000	\$ -	\$ 195,000	\$ 2,405,000	\$ 205,000
Capital Leases	201,382	80,138	76,511	205,009	46,106
Installment Purchases	2,684,508	388,746	323,710	2,749,544	450,016
Compensated Absences	185,671	271,799	245,882	211,588	-
Total	<u>\$ 5,671,561</u>	<u>\$ 740,683</u>	<u>\$ 841,103</u>	<u>\$ 5,571,141</u>	<u>\$ 701,122</u>

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, 2013, Graham County had a legal debt margin of \$ 97,113,706.

Capital Assets, Net of Related Debt

Capital Assets, net of related debt at June 30, 2013, are computed as follows:

a. Capital assets, net of accumulated depreciation	\$ 8,590,998
Less capital debt:	
Gross debt (excluding compensated absences)	5,359,553
Less:	
School debt related to assets to which the County does not hold title	<u>3,432,246</u>
Net capital debt	<u>1,927,307</u>
Capital assets, net of related debt	<u>\$ 6,663,691</u>

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2013, consist of the following:

Due to the General Fund from:	
ARC Rural Center - Stanley Furniture	\$ 494
Economic Development Fund	100
Total	<u>\$ 594</u>

Due to the Emergency Telephone Fund from:	
General Fund	<u>\$ 7,956</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.

Transfers to/from other funds at June 30, 2013 consisted of the following:

From the General Fund to the Revaluation Fund for operating purposes	\$ 75,000
From the Emergency Telephone (911) Fund to the General Fund to reimburse expenditures reimbursable under 911 guidelines	<u>(25,130)</u>
Total	<u>\$ 49,870</u>

Transfers are used to move unrestricted revenues to finance various programs that are government must account for in the other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

D. 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, 2013, 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.

E. Fund Balance

Graham County has a revenue spending policy that provides 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	\$ 4,836,377
Less:	
Stabilization by State Statute	1,187,130
Appropriated Fund Balance in 2014 budget	-
Register of Deeds	90,374
Transportation	39,067
Law Enforcement	5,166
School Capital	62,420
Courts	6,997
Tax Revaluation	182,711
Remaining Fund Balance	\$ 3,262,512

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.

<i>Encumbrances</i>	<i>General Fund</i>	<i>Emergency Telephone</i>	<i>Non-Major Funds</i>
	\$ -	\$ -	\$ -

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, 2013. 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, 2013.

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, 2013.

VI. 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.

	Federal	State
Temporary Assistance for Needy Families	\$ 149,569	\$ -
Medicaid	10,202,851	5,548,766
Food Stamp Program	2,208,765	-
WIC	219,239	-
SC/SA Domiciliary Care	1,730	100,248
Low Income Energy Assistance	24,423	-
IV-E Foster Care Assistance	50,375	9,573
IV-E Adopt Subsidy and Vendor	63,437	16,755
State Foster Care	-	28,178
	<u>\$ 12,920,389</u>	<u>\$ 5,703,520</u>

VII. 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.

VIII. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Boards (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously Reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified as Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

IX. Significant Effects of Subsequent Events

The County is in the process of negotiations to purchase the former Wachovia Bank Building and the sanitation transfer station site from the Cody Family. A letter of intent to purchase is under draft whereby the County will commit to paying the Cody Family approximately \$1,000,000 for the two properties. The County desires to purchase of the properties because both properties have been leased from the Cody Family for several years. The lease on the sanitation transfer station has been extended, but is scheduled to terminate within the next twelve months. A cost analysis performed by an engineering firm to relocate the sanitation transfer station to another site in the County has been estimated in excess of \$3,000,000. In addition, the County has invested in excess of \$1,000,000 at the present site. The County intends to finance both expenditures with long term debt.

The Board of Commissioners has committed to expending additional County funds on the Senior Center project, which is being constructed with CBBG funds. The Board committed to an additional \$125,000 toward the final construction costs on the project to construct a commercial kitchen and to make additional upgrades to the facility that will enable to facility to be a certified senior center with the State of North Carolina. The commercial kitchen will enable to County to prepare the meals for the Meals on Wheels program and for the county jail. This will result in long term cost savings to the County.

Combining and Individual Fund
Financial Statements Section

GENERAL FUND

The General 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.

The Tax 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. The Revaluation Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented for informational purposes only.

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year taxes		\$ 5,281,713	
Prior year taxes		212,255	
Penalties and interest		68,079	
Total	<u>\$ 5,372,172</u>	<u>5,562,047</u>	<u>\$ 189,875</u>
Local option sales taxes:			
Local option sales tax		1,419,003	
Medicaid Hold		144,049	
Total	<u>1,259,000</u>	<u>1,563,052</u>	<u>304,052</u>
Other taxes and licenses:			
Register of Deeds - excise tax		52,269	
Total	<u>45,000</u>	<u>52,269</u>	<u>7,269</u>
Unrestricted intergovernmental revenues:			
Payments in lieu of taxes		798,477	
Cable franchise fees		4,524	
Total	<u>799,495</u>	<u>803,001</u>	<u>3,506</u>
Restricted intergovernmental revenues:			
State grants		2,665,141	
Federal grants		913,462	
Local grants		14,987	
Court facility fees		592	
Scrap tire disposal fee		14,633	
White goods disposal fee		2,050	
Total	<u>3,026,223</u>	<u>3,610,865</u>	<u>584,642</u>
Other restricted revenues:			
Private grants & contributions		315,045	
Total	<u>435,180</u>	<u>315,045</u>	<u>(120,135)</u>
Permits and fees:			
Building permits		24,852	
Register of deeds		491,432	
Health department well permits		6,050	
Total	<u>433,517</u>	<u>522,334</u>	<u>88,817</u>
Sales and services:			
Rents, concessions, and fees		821,275	
Jail fees		4,233	
Ambulance fees		843,030	
Home health		43,986	
Tipping fees		100,543	
Sanitation fees		19	
Recycling revenue		5,038	
Sheriff fees		25,973	
Total	<u>2,237,991</u>	<u>1,844,097</u>	<u>(393,894)</u>

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Investment earnings:	5,500	4,884	(616)
Miscellaneous:			
Miscellaneous	51,258	79,795	28,537
Total revenues	13,665,336	14,357,389	692,053
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		119,697	
Operating expenditures		61,148	
Contracted services		42,199	
Miscellaneous contributions		1,022	
Capital outlay		80,138	
Contingency fund		4,469	
Debt Service:			
Principal retirement		45,869	
Interest and other charges		172,900	
Total	559,642	527,442	32,200
Administration:			
Salaries and employee benefits		65,307	
Operating expenditures		169,673	
Insurance - general		268,157	
Capital outlay		-	
Contracted services		11,700	
Total	504,876	514,837	(9,961)
Board of Elections:			
Salaries and employee benefits		85,290	
Operating expenditures		31,452	
Total	118,969	116,742	2,227
Finance:			
Salaries and employee benefits		152,159	
Operating expenditures		961	
Contracted services		57,786	
Capital outlay		58,299	
Total	273,272	269,205	4,067
Tax assessor:			
Salaries and employee benefits		84,124	
Operating expenditures		10,185	
Contracted services		37,387	
Total	142,683	131,696	10,987

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General government (continued):			
Tax collector:			
Salaries and employee benefits		73,598	
Operating expenditures		11,796	
Total	<u>94,702</u>	<u>85,394</u>	<u>9,308</u>
Tax mapping:			
Salaries and employee benefits		62,815	
Operating expenditures		13,369	
Contracted services		35,010	
Total	<u>126,228</u>	<u>111,194</u>	<u>15,034</u>
Register of deeds:			
Salaries and employee benefits		78,606	
Operating expenditures		285,361	
Contracted services		35,792	
Total	<u>405,358</u>	<u>399,759</u>	<u>5,599</u>
Public buildings:			
Salaries and employee benefits		106,227	
Operating expenditures		137,871	
Capital outlay		47,518	
Contracted services		25,263	
Total	<u>317,089</u>	<u>316,879</u>	<u>210</u>
Vehicle maintenance:			
Salaries and employee benefits		34,177	
Operating expenditures		6,538	
Contracted services		48	
Total	<u>42,490</u>	<u>40,763</u>	<u>1,727</u>
Computer support:			
Salaries and employee benefits		66,609	
Operating expenditures		6,266	
Contracted services		14,969	
Total	<u>89,180</u>	<u>87,844</u>	<u>1,336</u>
Cemetery:			
Salaries and employee benefits		130,879	
Operating expenditures		23,285	
Total	<u>178,667</u>	<u>154,164</u>	<u>24,503</u>
Total general government	<u>2,853,156</u>	<u>2,755,921</u>	<u>97,235</u>

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Sheriff department:			
Salaries and employee benefits		759,037	
Operating expenditures		204,364	
Contracted services		135,953	
Capital outlay		12,881	
Total	<u>1,120,268</u>	<u>1,112,235</u>	<u>8,033</u>
Jail:			
Salaries and employee benefits		389,222	
Operating expenditures		136,315	
Capital outlay		18,583	
Contracted services		181,927	
Total	<u>727,558</u>	<u>726,047</u>	<u>1,511</u>
Ambulance service:			
Salaries and employee benefits		703,169	
Operating expenditures		147,843	
Capital outlay		260,341	
Total	<u>1,210,105</u>	<u>1,111,353</u>	<u>98,752</u>
District court:			
Operating expenditures		13,960	
Contracted services		1,907	
Capital outlay		9,428	
Total	<u>27,000</u>	<u>25,295</u>	<u>1,705</u>
Civil preparedness:			
Salaries and employee benefits		61,676	
Operating expenditures		8,620	
Capital outlay		34,243	
Contracted services		4,637	
Debt Service:			
Principal retirement		47,016	
Total	<u>182,845</u>	<u>156,192</u>	<u>26,653</u>
Communications:			
Salaries and employee benefits		262,107	
Operating expenditures		2,100	
Contracted services		3,874	
Total	<u>268,311</u>	<u>268,081</u>	<u>230</u>

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety (continued):			
Sanitary landfill:			
Salaries and employee benefits		220,842	
Operating expenditures		211,793	
Capital outlay		46,417	
Tipping fees		214,975	
Debt Service:			
Principal retirement		107,442	
Interest and other charges		13,492	
Total	<u>815,325</u>	<u>814,961</u>	<u>364</u>
EMS billing:			
Salaries and employee benefits		-	
Operating expenditures		6,708	
Contracted services		28,991	
Total	<u>39,548</u>	<u>35,699</u>	<u>3,849</u>
Contribution to NC Forest Service	<u>58,000</u>	<u>49,505</u>	<u>8,495</u>
Contributions to rescue and fire	<u>168,491</u>	<u>168,490</u>	<u>1</u>
Total public safety	<u>4,617,451</u>	<u>4,467,858</u>	<u>149,593</u>
Economic development:			
County planner:			
Salaries and employee benefits		37,271	
Operating expenditures		11,442	
Total	<u>49,240</u>	<u>48,713</u>	<u>527</u>
Building inspector:			
Salaries and employee benefits		74,972	
Operating expenditures		15,290	
Total	<u>90,778</u>	<u>90,262</u>	<u>516</u>
Total economic development	<u>140,018</u>	<u>138,975</u>	<u>1,043</u>
Human services:			
Health department:			
Administration:			
Communicable diseases:			
Salaries and employee benefits		11,198	
Operating expenditures		2,070	
Total		<u>13,268</u>	
Health promotion:			
Child health:			
Salaries and employee benefits		78,463	
Operating expenditures		1,933	
Total		<u>80,396</u>	

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Health department (continued):			
Tuberculosis:			
Maternal health:			
Salaries and employee benefits		37,628	
Operating expenditures		200	
Total		<u>37,828</u>	
Mountain Top health care clinic:			
Salaries and employee benefits		16,973	
Operating expenses		14,519	
Contracted services		15,685	
Total		<u>47,177</u>	
Home health:			
TB:			
Salaries and employee benefits		4,326	
Operating expenditures		780	
Total		<u>5,106</u>	
Family planning:			
Salaries and employee benefits		69,267	
Operating expenditures		9,977	
Total		<u>79,244</u>	
Maternal and child health:			
Health promotions:			
Salaries and employee benefits		32,942	
Operating expenditures		12,574	
Total		<u>45,516</u>	
Women, infants, and children:			
Environmental health:			
Salaries and employee benefits		88,221	
Operating expenditures		8,633	
Total		<u>96,854</u>	
Migrant health:			
HIV/STD:			
Salaries and employee benefits		<u>487</u>	
BCCP:			
Salaries and employee benefits		13,843	
Operating expenses		10,102	
Total		<u>23,945</u>	
Dental:			
Salaries and employee benefits		272,577	
Operating expenses		33,100	
Total		<u>305,677</u>	

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Health department (continued):			
Child service coordination:			
Salaries and employee benefits		33,439	
Operating expenses		77	
Total		<u>33,516</u>	
General:			
Salaries and employee benefits		28,828	
Operating expenses		38,089	
Contracted services		1,929	
Principal retirement		100,489	
Total		<u>169,335</u>	
IAP5.278:			
Salaries and employee benefits		6,849	
Operating expenses		625	
Total		<u>7,474</u>	
Smart Start:			
Salaries and employee benefits		20,023	
Total		<u>20,023</u>	
WIC:			
Salaries and employee benefits		88,684	
Total		<u>88,684</u>	
Health department food and lodging:			
Salaries and employee benefits		8,716	
Operating expenses		2,329	
Total		<u>11,045</u>	
Adult health:			
Salaries and employee benefits		72,856	
Operating expenses		67,124	
Total		<u>139,980</u>	
Diabetes today:			
Salaries and employee benefits		1,478	
Operating expenses		1,107	
Total		<u>2,585</u>	
Kate B. Reynolds Grant School Nurse Project:			
Salaries and employee benefits		104,126	
Operating expenses		19,160	
Medical director fees		3,250	
Total		<u>126,536</u>	
Bioterrorism Grant:			
Salaries and employee benefits		39,374	
Operating expenses		12,842	
Total		<u>52,216</u>	

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Health department (continued):			
CAP:			
Salaries and employee benefits		127,043	
Operating expenses		69,136	
Total		<u>196,179</u>	
Total Health Department	<u>1,618,790</u>	<u>1,583,071</u>	<u>35,719</u>
Veterans Service Officer:			
Salaries and employee benefits	<u>4,000</u>	<u>6</u>	<u>3,994</u>
Social services:			
Administration:			
Salaries and employee benefits		957,122	
Operating expenses		271,568	
Principal retirement		15,011	
Total	<u>1,269,191</u>	<u>1,243,701</u>	<u>25,490</u>
Social Service public assistance:			
Medical assistance		2,723	
Work first		589,350	
Foster care		5,400	
Special assistance		83,410	
Crisis intervention		65,179	
Foster care - clothing		174,243	
Total	<u>947,615</u>	<u>920,305</u>	<u>27,310</u>
Total social services	<u>2,216,806</u>	<u>2,164,006</u>	<u>52,800</u>
Senior citizens program:			
Administration:			
Salaries and employee benefits		100,988	
Operating expenses		18,124	
Contracted services		88,648	
Total senior citizens program	<u>211,222</u>	<u>207,760</u>	<u>3,462</u>
Total human services	<u>4,050,818</u>	<u>3,954,844</u>	<u>95,974</u>
Cultural and recreational:			
4-H:			
Operating expenditures		12,307	
Total	<u>15,000</u>	<u>12,307</u>	<u>2,693</u>
Extension:			
Salaries and employee benefits		76,405	
Operating expenditures		7,996	
Total	<u>85,448</u>	<u>84,401</u>	<u>1,047</u>

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and recreational (continued):			
Soil and water:			
Salaries and employee benefits		38,129	
Operating expenditures		6,788	
Total	<u>45,172</u>	<u>44,917</u>	<u>255</u>
Recreation:			
Salaries and employee benefits		88,967	
Operating expenditures		68,218	
Contracted services		14,367	
Total	<u>172,043</u>	<u>171,552</u>	<u>491</u>
Swimming pool:			
Salaries and employee benefits		10,640	
Operating expenditures		9,279	
Contracted services		1,405	
Total	<u>23,289</u>	<u>21,324</u>	<u>1,965</u>
Contributions to regional library	<u>64,500</u>	<u>64,500</u>	<u>-</u>
Total cultural and recreation	<u>405,452</u>	<u>399,003</u>	<u>6,449</u>
Transit:			
DOT transportation development grant			
Grant administrative expenditures:			
Salaries and employee benefits		99,371	
Operating expenditures		34,898	
Grant operating expenditures:			
Salaries and employee benefits		233,671	
Operating expenditures		89,406	
Capital outlay		4,888	
Total transit	<u>619,609</u>	<u>462,234</u>	<u>157,375</u>

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Special appropriations:			
Education:			
Public schools - current	570,000	570,000	-
Public schools - capital outlay	76,540	76,540	-
Public schools - capital outlay lottery/ADM	240,117	239,000	1,117
Public schools - SRS USFS Timber	191,363	191,363	-
Debt Service:			
School Bond - capital outlay	302,256	195,000	107,256
QZAB debt - capital outlay	84,394	84,394	-
Total education	<u>1,464,670</u>	<u>1,356,297</u>	<u>108,373</u>
Contributions:			
Tri-County Community College	111,400	111,400	-
JCPC	59,927	59,831	96
Regional mental health	6,000	6,000	-
State of Franklin	4,000	4,000	-
Other special appropriations	32,200	32,200	-
Total special appropriations	<u>1,678,197</u>	<u>1,569,728</u>	<u>108,469</u>
Total expenditures	<u>14,364,701</u>	<u>13,748,563</u>	<u>616,138</u>
Revenues over expenditures	<u>(699,365)</u>	<u>608,826</u>	<u>1,308,191</u>
Other financing sources (uses):			
Transfers in		25,130	
Transfers out		(75,000)	
Capital lease obligations issued		80,138	
Proceeds from long term debt issued		388,746	
Total other financing sources (uses)	<u>399,403</u>	<u>419,014</u>	<u>19,611</u>
Appropriated fund balance	299,962	-	299,962
Net change in fund balance	<u>\$ -</u>	<u>1,027,840</u>	<u>\$ 1,027,840</u>
Fund balance, beginning		<u>3,625,772</u>	
Fund balance, ending		<u>\$ 4,653,612</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, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment earnings	<u>\$ -</u>	<u>\$ 112</u>	<u>\$ 112</u>
Expenditures:			
General government:			
Contracted services		<u>9,882</u>	
Total expenditures	<u>25,000</u>	<u>9,882</u>	<u>15,118</u>
Revenues over (under) expenditures	<u>(25,000)</u>	<u>(9,770)</u>	<u>15,230</u>
Other financing sources (uses):			
Transfer in:			
General fund	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Increase in fund balance for subsequent expenditures	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>65,230</u>	<u><u>\$ 65,230</u></u>
Fund balance, beginning		<u>117,535</u>	
Fund balance, ending		<u><u>\$ 182,765</u></u>	

MAJOR GOVERNMENTAL FUND

The County has one major special revenue fund, the Economic Development 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.

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, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other restricted revenues		\$ 135,504	
Miscellaneous		13,184	
Investment earnings		11,543	
Total revenues	<u>\$ 161,452</u>	<u>160,231</u>	<u>\$ (1,221)</u>
Expenditures:			
General government:			
Economic and physical development	<u>78,184</u>	<u>78,134</u>	<u>50</u>
Total expenditures	<u>78,184</u>	<u>78,134</u>	<u>50</u>
Revenues over (under) expenditures	<u>83,268</u>	<u>82,097</u>	<u>(1,171)</u>
Subsequent years expenditures	<u>(83,268)</u>	<u>-</u>	<u>83,268</u>
Net change in fund balance	<u>\$ -</u>	<u>82,097</u>	<u>\$ 82,097</u>
Fund balance, beginning		<u>205,837</u>	
Fund balance, ending		<u>\$ 287,934</u>	

COMBINING STATEMENTS FOR NON-MAJOR GOVERNMENTAL FUNDS

The County has five 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.
- **CDBG Scattered Site Fund** - This fund accounts for the revenues and expenditures of the County's Community Development Block Grant.
- **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.

Capital Project Funds:

- **CDBG Contingency Grant - Senior Center Construction Project Fund** - This fund accounts for the construction of a Senior Citizens Center. The construction is funded 100% with Community Development Block Grant funds administered by the North Carolina Department of Commerce.
- **NCDOT/ ARRA Grant - Transit Facility Construction Project Fund** - This fund accounts for the construction of a Transit Facility for public transportation in Graham County. The construction is funded 100% with American Recovery and Reinvestment Act and NCDOT Capital funds administered by the North Carolina Department of Transportation.

Graham County, North Carolina

Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2013

	Special Revenue Funds			
	Emergency Telephone Special Revenue Fund	CDBG Scattered Site Fund	ARC Rural Center Stanley Furniture	Total Non-Major Special Revenue Funds
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Restricted cash	193,591	63	1,404	195,058
Accounts receivable, net	41,096	-	-	41,096
Due from other governments	2,256	-	-	2,256
Due from other funds	7,956	-	-	7,956
Total assets	\$ 244,899	\$ 63	\$ 1,404	\$ 246,366
Liabilities and fund balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,429	\$ -	\$ -	\$ 1,429
Due to other funds	-	-	494	494
Total liabilities	1,429	-	494	1,923
Fund balances:				
Restricted:				
Stabilization by state statute	51,308	-	-	51,308
Economic and physical development	-	63	910	973
Human services	-	-	-	-
Transportation	-	-	-	-
Public safety	192,162	-	-	192,162
Unassigned	-	-	-	-
Total fund balances	243,470	63	910	244,443
Total liabilities, deferred inflows of resources, and fund balances	\$ 244,899	\$ 63	\$ 1,404	\$ 246,366

Capital Projects Funds				
CDBG Contingency Grant Senior Center	ARRA/NCDOT Transit Facility	Total Non-Major Capital Projects Funds	Total Non- Major Governmental Funds	
\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	195,058
-	-	-	-	41,096
50,045	-	50,045	-	52,301
-	-	-	-	7,956
\$ 50,045	\$ -	\$ 50,045	\$ -	296,411
\$ 50,045	\$ -	\$ 50,045	\$ -	51,474
-	-	-	-	494
50,045	-	50,045	-	51,968
50,045	-	50,045	-	101,353
-	-	-	-	973
-	-	-	-	-
-	-	-	-	-
-	-	-	-	192,162
(50,045)	-	(50,045)	-	(50,045)
-	-	-	-	244,443
\$ 50,045	\$ -	\$ 50,045	\$ -	296,411

Graham County, North Carolina

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

Non-major Governmental Funds

For the Year Ended June 30, 2013

	Special Revenue Funds			
	Emergency Telephone Special Revenue Fund	CDBG Scattered Site Fund	ARC Rural Center Stanley Furniture	Total Non-Major Special Revenue Funds
Revenues:				
Restricted intergovernmental revenues	\$ 214,556	\$ -	\$ 33,641	\$ 248,197
Investment earnings	99	48	3	150
Total revenues	<u>214,655</u>	<u>48</u>	<u>33,644</u>	<u>248,347</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	79,500	-	-	79,500
Transportation	-	-	-	-
Economic and physical development	-	-	33,640	33,640
Human services	-	-	-	-
Total expenditures	<u>79,500</u>	<u>-</u>	<u>33,640</u>	<u>113,140</u>
Excess (deficiency) of revenues over expenditures	<u>135,155</u>	<u>48</u>	<u>4</u>	<u>135,207</u>
Other financing sources (uses)				
Transfers out	<u>(25,130)</u>	-	-	<u>(25,130)</u>
Total other financing sources and (uses)	<u>(25,130)</u>	-	-	<u>(25,130)</u>
Net change in fund balances	110,025	48	4	110,077
Fund balances, beginning	<u>133,445</u>	<u>15</u>	<u>906</u>	<u>134,366</u>
Fund balances, ending	<u>\$ 243,470</u>	<u>\$ 63</u>	<u>\$ 910</u>	<u>\$ 244,443</u>

Capital Projects Funds				
CDBG				
Contingency	ARRA/NCDOT	Total Non-Major	Total Non-Major	
Grant	Transit	Capital Projects	Governmental	
Senior Center	Facility	Funds	Funds	
\$ 184,812	\$ 741,150	\$ 925,962	\$ 1,174,159	
-	-	-	150	
184,812	741,150	925,962	1,174,309	
-	-	-	-	
-	-	-	79,500	
-	741,150	741,150	741,150	
-	-	-	33,640	
184,812	-	184,812	184,812	
184,812	741,150	925,962	1,039,102	
-	-	-	135,207	
-	-	-	(25,130)	
-	-	-	(25,130)	
-	-	-	110,077	
-	-	-	134,366	
\$ -	\$ -	\$ -	\$ 244,443	

Graham County, North Carolina

Emergency Telephone System Fund

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

For the Fiscal Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Restricted intergovernmental		\$ 214,556	
Investment earnings		99	
Total revenues	<u>\$ 214,656</u>	<u>214,655</u>	<u>\$ (1)</u>
Expenditures:			
Public safety	<u>214,656</u>	<u>79,500</u>	<u>135,156</u>
Total expenditures	<u>214,656</u>	<u>79,500</u>	<u>135,156</u>
Revenues over (under) expenditures	<u>-</u>	<u>135,155</u>	<u>135,155</u>
Other financing sources (uses):			
Transfer out to general fund	<u>(25,130)</u>	<u>(25,130)</u>	<u>-</u>
Total other financing sources (uses)	<u>(25,130)</u>	<u>(25,130)</u>	<u>-</u>
Appropriated fund balance	25,130	-	(25,130)
Net change in fund balance	<u>\$ -</u>	110,025	<u>\$ 110,025</u>
Fund balance, beginning		<u>133,445</u>	
Fund balances, ending		<u>\$ 243,470</u>	

Graham County, North Carolina

CDBG Scattered Site Fund

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

For Inception and for the Year Ended June 30, 2013

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive (Negative)</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted intergovernmental:					
CDBG Grant	\$ 400,000	\$ 345,265	\$ -	\$ 345,265	\$ (54,735)
Investment earnings	-	92	48	140	140
Total revenues	<u>400,000</u>	<u>345,357</u>	<u>48</u>	<u>345,405</u>	<u>(54,595)</u>
Expenditures:					
Economic and physical development:					
Clearance activities	32,700	11,774	-	11,774	20,926
Relocation activities	327,300	293,623	-	293,623	33,677
Administration	40,000	40,000	-	40,000	-
Total expenditures	<u>400,000</u>	<u>345,397</u>	<u>-</u>	<u>345,397</u>	<u>54,603</u>
Revenues over (under) expenditures	<u>-</u>	<u>(40)</u>	<u>48</u>	<u>8</u>	<u>8</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (40)</u>	<u>48</u>	<u>\$ 8</u>	<u>\$ 8</u>
Fund balance, beginning			<u>15</u>		
Fund balance, ending			<u>\$ 63</u>		

Graham County, North Carolina

ARC Rural Center - Stanley Furniture Building Reuse Fund

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

For the Fiscal Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Restricted intergovernmental:			
Rural Economic Development Center Grant	\$ 435,000	\$ 33,641	\$ (401,359)
Investment earnings:	-	3	3
Total revenues	<u>435,000</u>	<u>33,644</u>	<u>(401,356)</u>
Expenditures:			
Economic development	\$ 435,000	33,640	401,360
Total expenditures	<u>435,000</u>	<u>33,640</u>	<u>401,360</u>
Revenues over (under) expenditures	<u>-</u>	<u>4</u>	<u>4</u>
Net change in fund balance	<u>\$ -</u>	<u>4</u>	<u>\$ 4</u>
Fund balance, beginning		<u>906</u>	
Fund balances, ending		<u>\$ 910</u>	

Graham County, North Carolina

CDBG Contingency Grant - Senior Center Construction Project Fund

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

From Inception and for the Year Ended June 30, 2013

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
		<u>Prior Year</u>	<u>Current Year</u>		
Revenues:					
Restricted intergovernmental:					
CDBG Grant	\$ 600,000	\$ 14,780	\$ 184,812	\$ 199,592	\$ (400,408)
Total revenues	<u>600,000</u>	<u>14,780</u>	<u>184,812</u>	<u>199,592</u>	<u>(400,408)</u>
Expenditures:					
Human services:					
Clearance activities	9,545	-	-	-	9,545
Construction	530,455	-	146,279	146,279	384,176
Administration	60,000	14,780	38,533	53,313	6,687
Total expenditures	<u>600,000</u>	<u>14,780</u>	<u>184,812</u>	<u>199,592</u>	<u>400,408</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

Graham County, North Carolina

NCDOT/ ARRA Grant - Transit Facility Construction Project Fund

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

From Inception and for the Year Ended June 30, 2013

		<u>Actual</u>			
	<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:					
ARRA - Federal Transit Capital Investment	\$ 745,000	\$ -	\$ 691,822	\$ 691,822	\$ (53,178)
NCDOT/ARRA Nonurbanized Grant	81,728	32,400	49,328	81,728	-
Total revenues	<u>826,728</u>	<u>32,400</u>	<u>741,150</u>	<u>773,550</u>	<u>(53,178)</u>
Expenditures:					
Transportation					
Construction	745,000	-	691,822	691,822	53,178
Engineering & design	81,728	32,400	49,328	81,728	-
Total expenditures	<u>826,728</u>	<u>32,400</u>	<u>741,150</u>	<u>773,550</u>	<u>53,178</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</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 and Santeetlah.
- **Fines and Forfeitures Fund** - This fund accounts for various legal fines and forfeitures that the County is required to remit to the Graham County Board of Education and the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles.
- **Share the Warmth Fund** - This fund accounts for monies held by the County to help families in the area struggling to pay for fuel/electricity.
- **4-H Club** - This fund accounts for monies held by the County for the benefit of 4-H activities.
- **Yuletide Helpers** - This fund accounts for monies held by the County to purchase Christmas presents for needy children.
- **Deed of Trust Fee Fund** - This fund accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

Graham County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2013

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Social Services</u>				
Assets:				
Cash and cash equivalents	\$ 57,436	\$ 230,521	\$ 248,766	\$ 39,191
Liabilities:				
Miscellaneous liabilities	\$ 57,436	\$ 230,521	\$ 248,766	\$ 39,191
<u>Fines and Forfeitures</u>				
Assets:				
Cash and cash equivalents	\$ 187	\$ 2,848	\$ 2,863	\$ 172
Liabilities:				
Intergovernmental payable - State of North Carolina	\$ 187	\$ 2,848	\$ 2,863	\$ 172
<u>Motor Vehicle Tax Fund</u>				
Assets:				
Cash and cash equivalents	\$ 1,019	\$ 9,359	\$ 9,879	\$ 499
Liabilities:				
Due to Town of Robbinsville	995	8,900	9,487	408
Due to Town of Santeetlah	24	395	392	27
Due to Town of Fontana	-	64	-	64
	<u>\$ 1,019</u>	<u>\$ 9,359</u>	<u>\$ 9,879</u>	<u>\$ 499</u>
<u>Share the Warmth Fund</u>				
Assets:				
Cash and cash equivalents	\$ 713	\$ -	\$ 713	\$ -
Liabilities:				
Miscellaneous liabilities	\$ 713	\$ -	\$ 713	\$ -
<u>4-H Club</u>				
Assets:				
Cash and cash equivalents	\$ 853	\$ 1,394	\$ 1,113	\$ 1,134
Liabilities:				
Miscellaneous liabilities	\$ 853	\$ 1,394	\$ 1,113	\$ 1,134

Graham County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2013

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Deed of Trust Fee Fund</u>				
Assets:				
Cash and cash equivalents	\$ 403	\$ 7,571	\$ 7,465	\$ 509
Liabilities:				
Intergovernmental payable - State of North Carolina	\$ 403	\$ 7,571	\$ 7,465	\$ 509
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 60,611	\$ 251,693	\$ 270,799	\$ 41,505
Liabilities:				
Miscellaneous liabilities	\$ 59,002	\$ 231,915	\$ 250,592	\$ 40,325
Due to Town of Robbinsville	995	8,900	9,487	408
Due to Town of Santeetlah	24	395	392	27
Due to Town of Fontana		64		64
Intergovernmental payable - State of North Carolina	590	10,419	10,328	681
Total liabilities	\$ 60,611	\$ 251,693	\$ 270,799	\$ 41,505

OTHER SCHEDULES

This section includes additional information on required property taxes.

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

Graham County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2013

Fiscal Year	Uncollected Balance June 30, 2012	Additions	Collections And Credits	Uncollected Balance June 30, 2013
2012-2013	\$ -	\$ 5,344,310	\$ 5,146,143	\$ 198,168
2011-2012	339,112	12	236,953	102,171
2010-2011	131,824	-	67,852	63,972
2009-2010	74,780	-	31,504	43,276
2008-2009	39,676	-	5,371	34,305
2007-2008	29,075	-	4,795	24,280
2006-2007	21,143	-	2,052	19,091
2005-2006	20,783	-	1,223	19,560
2004-2005	20,353	-	3,300	17,053
2003-2004	17,667	-	946	16,721
2002-2003	16,932	-	16,932	-
	<u>711,345</u>	<u>5,344,322</u>	<u>5,517,071</u>	<u>538,597</u>
Less: allowance for uncollectible accounts:				
	General fund			<u>228,663</u>
Ad valorem taxes receivable - net:				
	General fund			<u>\$ 309,934</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General fund				
	Taxes collected			\$ 5,493,968
	Penalties and interest			68,079
				<u>5,562,047</u>
Reconciling items:				
	Garnishment fees			(3,640)
	Collections of taxes previously written off			-
	Taxes written off			16,601
	Less: interest collected			(57,930)
	Other adjustments			(7)
	Total reconciling items			<u>(44,976)</u>
Total collections and credits				<u>\$ 5,517,071</u>

Graham County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2013

	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	\$ 1,239,811,123	0.440	\$ 5,455,169	\$ 5,229,595	\$ 225,574
Motor vehicles taxed at prior year's rate	18,335,800	0.440	80,678	-	80,678
Penalties	-		3,068	3,068	-
Total	<u>1,258,146,923</u>		<u>5,538,915</u>	<u>5,232,663</u>	<u>306,252</u>
Discoveries:					
Current year taxes	5,262,745	0.440	23,156	23,156	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Total	<u>5,262,745</u>		<u>23,156</u>	<u>23,156</u>	<u>-</u>
Abatements	<u>(49,488,339)</u>		<u>(217,749)</u>	<u>(207,716)</u>	<u>(10,033)</u>
Total property valuation	<u><u>1,213,921,329</u></u>				
Net levy			5,344,322	5,048,103	296,219
Uncollected taxes at June 30, 2013			<u>198,168</u>	<u>163,916</u>	<u>34,252</u>
Current year's taxes collected			<u>5,146,154</u>	<u>4,884,187</u>	<u>261,967</u>
Current levy collection percentage			<u>96.29%</u>	<u>96.75%</u>	<u>88.44%</u>

Graham County, North Carolina
Secondary Market Disclosures
For the Fiscal Year Ended June 30, 2013

Secondary Market Disclosures:

Assessed valuation:	
Assessment ratio ¹	100%
Real property	\$ 1,146,467,300
Personal property	40,942,509
Public service companies ²	26,511,520
Total assessed valuation	\$ 1,213,921,329
Tax rate per \$100	0.44
Levy (includes discoveries, releases and abatements) ³	\$ 5,341,254
Late listing penalties	3,068
Levy (includes discoveries, releases and abatements) ³	\$ 5,344,322

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, 2013

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Tapoco, Inc.	Commercial	\$ 184,051,420	15.16%
Duke Energy	Utility	22,498,231	1.85%
Stanley Furniture	Commercial	12,958,083	1.07%
Fontana Village, Inc.	Commercial	10,385,160	0.86%
Cody Family and Heirs	Residential	6,194,980	0.51%
Ibex Thunderbird	Residential	4,788,650	0.39%
Crisp & Crisp, Inc.	Commercial	4,406,126	0.36%
Frontier	Utility	3,150,154	0.26%
The Land Trust for Little Tennessee	Commercial	3,079,380	0.25%
Britthaven, Inc.	Nursing Home	2,342,170	0.19%
Total		<u>\$ 253,854,354</u>	<u>20.91%</u>

Graham County, North Carolina
Emergency Telephone System Unspent Balance
PSAP Reconciliation
June 30, 2013

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	\$ 110,025
Transfer of Funds for 2011-12 Public Safety Expenditures paid from Gen Fund for 911	25,130
Ineligible 911 expenditures reported in Emergency Telephone System Fund	-
Beginning Balance, PSAP Revenue - Expenditure Report	108,315
Ending Balance, PSAP Revenue - Expenditure Report	\$ 243,470

Graham County General Fund was reimbursed for expenditures it made in 2011-12 that qualified as 50% Public Safety Expenditures for 911 reporting during 2012-13.

COMPLIANCE SECTION

Turner, Hatchett & Turner, CPA's, 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*

Board of Commissioners
Graham County
Robbinsville, 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 aggregated remaining fund information of the Graham County, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the Graham County's basic financial statements, and have issued our report thereon dated January 31, 2014.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Graham County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Graham County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 the 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, Hatchett & Turner, CPA's, P.A.
Murphy, North Carolina

January 31, 2014

Turner, Hatchett & Turner, CPA's, 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 Circular A-133 and the State Single Audit Implementation Act

Board of Commissioners
Graham County
Robbinsville, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Graham County, North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Graham County's major federal programs for the year ended June 30, 2013. 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that 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 Program

In our opinion, Graham County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-1. 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 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 OMB Circular A-133, 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 Board's internal control over compliance.

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

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 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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned cost as items 2013-1 that we consider to be significant deficiencies.

Graham County's response to the internal control over compliance finding identified in our audit is described in the accompanying 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 Circular A-133. Accordingly, this report is not suitable for any other purpose.



Turner, Hatchett & Turner, CPA's, P.A.
Murphy, North Carolina

January 31, 2014

Turner, Hatchett & Turner, CPA's, 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 A-133 and the State Single Audit Implementation Act

Board of Commissioners
Graham County
Robbinsville, 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, 2013. Graham County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, *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 the 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 Major State Program

In our opinion, Graham County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-1. 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 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 OMB Circular A-133, 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 Board's internal control over compliance.

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

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 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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned cost as items 2013-1 that we consider to be significant deficiencies.

Graham County's response to the internal control over compliance finding identified in our audit is described in the accompanying 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 Circular A-133. Accordingly, this report is not suitable for any other purpose.



Turner, Hatchett & Turner, CPA's, P.A.
Murphy, North Carolina

January 31, 2014

Graham County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material Weakness identified yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses? yes X no

Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major federal programs:

- Material Weakness identified yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses? X yes no

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

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

Program Name	CFDA#
Medical Assistance Cluster:	
Medical Assistance Program	93.778
Formula Grants for Other than Urbanized Areas	20.509
Administrative Assistance	
ARRA - Federal Transit Capital Investment Grants	

The threshold for determining Type A programs for Graham County is \$ 386,785

Auditee qualified as low-risk auditee yes X no

Graham County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

State Awards

Internal control over major state programs:

- Material Weakness identified _____ yes X no

- Significant Deficiency(s) identified that are not considered to be material weaknesses? X yes _____ no

Type of auditor's report issued on compliance for major state programs: Unqualified

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:

_____ Program Name _____

The Medical Assistance Cluster is a State match on a federal program. Therefore, this cluster 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, 2013

Section III - Federal Award Findings and Questioned Costs

Finding 2013-1

Crosscutting Requirements - Reporting

CFDA #93.778 U.S. Department of Health & Human Services--Passed through the NC Department of Health and Human Services

Program Name: Medical Assistance Program

SIGNIFICANT DEFICIENCY

Criteria: County employees must maintain day sheets in accordance with the DSS Services Information System Policy. The policy requires 100% of the employee time be supported in the case record files and program and activity codes be summarized correctly and transferred into the DSS-1571 report to an eligible funding source.

Condition: It appears that caseworkers are not keeping up with their time on the green day sheets on a daily basis. Several day sheets tested in the sample did not account for all the time the employee had turned in on their daily time sheet. The green day sheets also listed clients and the dates the case worker had worked on their file. Dates were not traceable to the narrative in the client case record.

It also came to our attention that re-determinations of Medicaid clients were not being done in a timely manner and had fallen behind. As a result, clients were continuing to receive benefits that may or may not be eligible.

Questioned Costs: Unable to determine.

Effect: Correct reimbursement from the individual programs cannot be determined without accurate reporting.

Cause: Lack of training in the reporting requirements in the DSS Services Information System Policy.

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 Medicaid 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) re-determinations be performed in a timely manner

Views of responsible officials and planned corrective actions: The Board agrees with this finding.

Section IV - State Award Findings and Questioned Costs

See Finding 2013-1

Graham County, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2013

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

Finding 2013-1

Crosscutting Requirements - Reporting

CFDA #93.778 U.S. Department of Health & Human Services--Passed through the NC Department of Health and Human Services

Program Name: Medical Assistance Program

SIGNIFICANT DEFICIENCY

Name of contact person: Director - Graham County Department of Social Services

Corrective Action: In July 2013, the DSS Board terminated the DSS director. At that time an interim director was named from Vanguard Staffing who implemented an immediate action plan to correct the issue of green day sheets not being completed as per the DSS Services Information System Policy. In October 2013 the DSS Board hired a permanent director who has diligently followed through on implementation, requiring daily tracking and completion of time sheets. The County and the DSS Board are pursuing the purchase of an electronic day sheet system for all areas of the department. In addition, the DSS director has worked closely with the NCDHHS and the area Fiscal Liaison for NCDHHS and has conducted several training sessions with all staff. The training has covered a broad array of issues and more specifically, has included a refresher course on green sheet coding and completion. The Finance Officer of the County remains in close contact with the DSS Board and the DSS director to monitor progress in all areas of DSS fiscal oversight.

Proposed Completion Date: - Ongoing - July 1, 2013

Section IV - State Award Findings and Questioned Costs

See above listed Finding 2013-1.

Graham County, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2013

Finding 2012-1

Status: Improvements are still needed by the DSS caseworkers to complete the day sheets to account for 100% of their time. The client files should agree to the day sheets.

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2013

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Department of Agriculture</u>					
<u>Food and Nutrition Service</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
<u>Supplemental Nutrition Assist. Program Cluster</u>					
State Administrative Matching Grants for					
the Supplemental Nutrition Assistance Program	10.561	XXXX	112,349	-	112,349
Supplemental Nutrition Assist. Program - Fraud Admin	10.561	XXXX	9,775	-	9,775
Supplemental Nutrition Assist. Program Cluster			122,124	-	122,124
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Administration:					
Special Supplemental Nutrition Program for					
Women, Infants, & Children	10.557	XXXX	67,106	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for					
Women, Infants, & Children	10.557	XXXX	219,239	-	-
Passed-through N.C. Dept. of Agriculture:					
<u>Emergency Food Assistance Cluster:</u>					
Emergency Food Assistance					
Program - Administrative Cost	10.568	XXXX	2,801	-	-
Emergency Food Assistance					
Program - Food Commodities	10.569	XXXX	6,535	-	-
Total Emergency Food Assistance Cluster			9,336	-	-
Total U.S. Department of Agriculture			417,805	-	122,124
<u>U.S. Department of Housing and Urban Development</u>					
Passed through the N.C. Department of Commerce					
Community Development Block Grants/State's Program					
<u>CDBG - State-Administered CDBG Cluster</u>					
CDBG - Contingency - Public Facilities	14.228		184,812	-	-
Total U.S. Department of Housing and Urban Development			184,812	-	-
<u>U.S. Dept. of Transportation</u>					
<u>Federal Transit Administration</u>					
Passed-through the N.C. Department of Transportation:					
Formula Grants for Other than Urbanized Areas					
Administrative Assistance	20.509	XXXX	123,726	7,744	-
ARRA - Federal Transit Capital Investment Grants	20.509	XXXX	691,822	-	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	XXXX	32,305	3,231	-
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	XXXX	6,153	769	-
Total U.S. Dept. of Transportation			854,006	11,744	-
<u>U.S. Department of Homeland Security</u>					
Passed-through N.C. Dept. of Crime Control and Public Safety:					
Division of Emergency Management					
Home Land Security Grant Program	97.004	XXXX	55,774	-	-
Public Assistance Grants Program for Infrastructure Support (FEMA)					
	97.039	XXXX	27,550	-	-
Total U. S. Department of Homeland Security			83,324	-	-

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2013

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>U.S. Dept. of Health & Human Services</u>					
<u>Office of the Population Affairs</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Family Planning Services Title X	93.217	XXXX	15,540	-	-
<u>Administration on Aging</u>					
<u>Division of Aging and Adult Services</u>					
Passed-through Red Bird Council of Governments:					
<u>Aging Cluster:</u> ⁴					
Nutrition Services Incentive Program	93.053	XXXX	137,011	-	15,224
Total Aging Cluster			137,011	-	15,224
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
<u>Foster Care and Adoption Cluster 4 (Note 4)</u>					
Title IV-E Foster Care - Administration	93.658	XXXX	79,710	12,367	67,343
Foster Care - Direct Benefit Payments	93.658	XXXX	50,375	9,573	9,679
Title IV-E Adoption Administration	93.659	XXXX	2,013	-	1,708
Adoption Assistance - Direct Benefit Payments	93.659	XXXX	63,437	16,755	16,755
Total Foster Care and Adoption			195,535	38,695	95,485
<u>Temporary Assistance for Needy Families Cluster</u>					
Temporary Assistance for Needy Families (TANF) /					
Work First	93.558	XXXX	56,755	-	61,064
TANF / Work First - Direct Benefit Payments	93.558	XXXX	149,569	-	34,249
Total TANF Cluster			206,324	-	95,313
N. C. Child Support Enforcement Section IV-D					
Administration	93.563	XXXX	62,707	-	32,304
Family Preservation	93.556	XXXX	901	-	-
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568	XXXX	7,998	-	-
Energy Assistance Payments- Direct Benefit Payments	93.568	XXXX	24,423	-	-
Crisis Intervention Program	93.568	XXXX	28,448	-	-
Child Welfare Services - State Grants					
- Adoption Subsidy - Administration	93.645	XXXX	5,833	49	1,961
SSBG - TANF to SSBG	93.667	XXXX	-	346	-
SSBG - Other Service and Training	93.667	XXXX	37,886	4,315	14,067
Independent Living Grant -LINKS	93.674	XXXX	935	234	-
Division of Aging and Adult Services:					
Division of Social Services:					
SSBG - State In Home Service Fund	93.667	XXXX	10,097	-	3,260
SSBG - State Adult Day Care	93.667	XXXX	-	-	-
Division of Child Development:					
Subsidized Child Care (Note 4)					
<u>Child Care Development Fund Cluster:</u> ^{4,5}					
Division of Social Services:					
Child Care Development Fund-Administration	93.596	XXXX	80,000	-	-
Total Child Care Development Fund Cluster			80,000	-	-
Social Services Block Grant	93.667	XXXX	26,974	-	-
TANF	93.558	XXXX	483	-	-
Total Subsidized Child Care (Note 4)			107,457	-	-

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2013

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>Centers for Medicare and Medicaid Services</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
<u>Medicaid Cluster</u>					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778	XXXX	10,202,851	5,548,766	951
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	XXXX	171,632	6,944	164,586
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	7,913	585	1,936
Total Medicaid Cluster			10,382,396	5,556,295	167,473
<u>Centers for Disease Control</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Public Health Emergency Preparedness	93.069	XXXX	42,231	-	-
Prevention Investigation and Technical Assistance	93.283	XXXX	2,994	-	-
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	XXXX	13,260	-	2,040
Preventive Health and Health Services Block Grant	93.991	XXXX	9,640	-	-
<u>Health Resources and Services Administration</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Maternal and Child Health Services Block Grant	93.994	XXXX	27,356	20,519	-
State Health Access Program	93.256	XXXX	4,400	-	-
<u>Immunization Cluster</u>					
Immunization Grants	93.268	XXXX	4,778	-	-
Total Immunization Cluster			4,778	-	-
Total U.S. Dept. of Health and Human Services			11,328,150	5,620,453	427,127
<u>Appalachian Regional Commission</u>					
Hilltop Care of Graham County	23.001	NC-16674-10	17,385	-	-
Graham County Telecommunication Study	23.001		5,618	-	-
			23,003	-	-
Total federal awards			12,891,100	5,632,197	549,251
<u>N.C. Dept. of Administration</u>					
Veterans Service		XXXX	-	1,452	-
<u>N.C. State Board of Elections</u>					
State HHS Grant		XXXX	-	5,353	-
<u>N.C. Department of Environment and Natural Resources</u>					
Division of Waste Management					
White Goods Management Program		XXXX	-	2,050	-
Electronics Disposal Program		XXXX	-	513	-
Scrap Tire Program		XXXX	-	14,634	-
Division of Environmental Assistance and Outreach					
Community Waste Reduction and Recycling Grant		XXXX	-	16,630	-
Total N.C. Dept. of Environmental and Natural Resources			-	33,827	-
<u>N.C. Dept. of Health and Human Services</u>					
Division of Aging and Adult Services					
Division of Social Services:					
Adoption Subsidy		XXXX	-	62,491	6,551
SC/SA Domiciliary Care		XXXX	1,730	100,248	104,650
SFHF Maximization		XXXX	-	4,862	4,862
State Foster Home		XXXX	-	7,989	7,989
County Funded Service		XXXX	-	-	192,567
Total Division of Social Service			1,730	175,590	316,619

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2013

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Division of Public Health					
General Aid to Counties		XXXX	-	75,075	-
Environmental Health		XXXX	-	4,000	-
Healthy Communities		XXXX	-	11,336	-
Home Health Services		XXXX	-	2,839	-
Rural OB Care		XXXX	-	6,206	-
School Nurse Initiatives		XXXX	-	43,202	-
TB Medical Service		XXXX	-	50,000	-
Tuberculosis		XXXX	-	720	-
WHSF		XXXX	-	9,066	-
Total Division of Public Health			-	202,444	-
Total N. C. Department of Health and Human Services			1,730	378,034	316,619
Office of the Governor					
Office of State Budget and Management					
Passed through - N.C. General Assembly					
Rural Economic Development Center		XXXX	-	33,641	-
Total Office of Governor			-	33,641	-
NC Department of Public Safety					
Division of Juvenile Justice and Delinquency Prevention					
Juvenile Crime Prevention Programs		XXXX	-	54,692	-
Total NC Department of Public Safety			-	54,692	-
N.C. Dept. of Public Instruction					
Capital Outlay - ADM Funds		XXXX	-	239,000	-
Total N.C. Dept. of Public Instruction			-	239,000	-
N.C. Dept. of Transportation					
CT - 2011 Facility Funds		XXXX	-	48,368	-
Rural Operating Assistance Program (ROAP)					
- ROAP Elderly and Disabled Transportation Assistance Program		XXXX	-	43,661	-
- ROAP Rural General Public Program		XXXX	-	44,376	-
- ROAP Work First Transitional - Employment Transportation Assistance Program		XXXX	-	4,466	-
Total ROAP			-	92,503	-
Total N.C. Dept. of Transportation			-	140,871	-
Total State awards			1,730	886,870	316,619
Total federal and State awards			12,892,830	6,519,067	865,870

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 includes the federal and State grant activity of Graham County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the basic financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.

2. **Subrecipients**

Of the federal and State expenditures presented in the schedule, Graham County provided federal and State awards to subrecipients as follows:

Program Title	CFDA Number	Pass-through Grantor's Number	Federal Expenditures	State Expenditures
Schools Capital Outlay - Lottery Funds		XXXX		239,000
Juvenile Crime Prevention Programs		XXXX		54,692

3.

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, Foster Care and Adoption, Mental Health Services, Developmental Disability Waiting List Services, and Substance Abuse Services.