

# **Graham County, North Carolina**

## **Financial Statements**

**June 30, 2017**

**Turner & Company CPAs P.A.**

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

**Graham County, North Carolina**  
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## **INTRODUCTORY INFORMATION**

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**Graham County, North Carolina**

**List of Principal Officials**

**June 30, 2017**

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BOARD OF COUNTY COMMISSIONERS

Keith Eller, Chairman

Connie Orr, Vice Chairman

Jacob Nelms, Commissioner

Raymond Williams, Commissioner

Dale Wiggins, Commissioner

COUNTY OFFICIALS

Rebecca E. Garland, MPA, CPA - County Manager and Director of Finance

Kim Crisp - Clerk to the Board

Carolyn Stewart - Register of Deeds

Erma Phillips - Tax Assessor

Tajuana Ledwell - Tax Collector

Danny Millsaps - Sheriff

J.K. Coward, Jr. - County Attorney

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**FINANCIAL SECTION**

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# Turner & Company CPAs P.A.

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

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## Independent Auditors' Report

To the Board of County Commissioners  
Graham County, North Carolina

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Graham County, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Graham County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Graham County, North Carolina, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note X to the financial statements, for the year ended June 30, 2017, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. 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 Management's Discussion and Analysis on pages 3 through 9, the Local Government Employees' Retirement System schedules of the County's Proportionate Share of Net Pension Liability and County Contributions, pages 48 and 49, the Register of Deeds' Supplemental Pension Fund schedules of the County's Proportionate Share of the Net Pension Asset and County Contributions on pages 50 and 51, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 52 and 53 be presented to supplement the basic financial statements.

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Graham County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017 on our consideration of Graham County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Graham County's internal control over financial reporting and compliance.



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

December 12, 2017



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Graham County, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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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, 2017. 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**

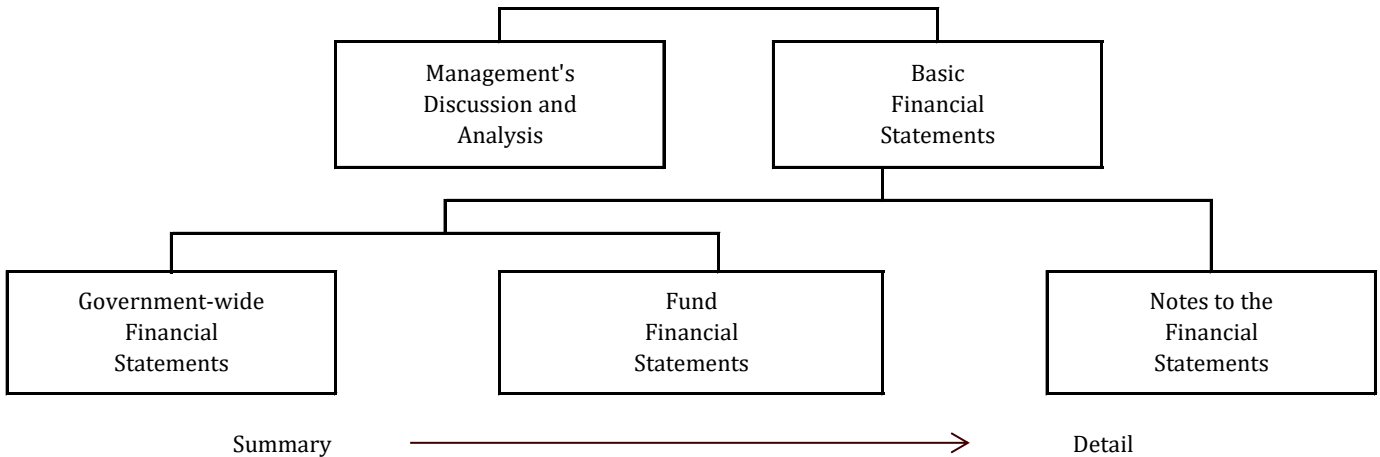
- The assets and deferred outflows of resources of Graham County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$17,750,151 (net position).
- The government's total net position increased by \$2,303,410.
- As of the close of the current fiscal year, Graham County's governmental funds reported combined ending fund balances of \$11,784,010, after a net increase in fund balance of \$3,984,812, primarily due to management's focus on monitoring spending and maximizing revenue collection. Approximately 50.80 percent of this total amount, or \$5,986,710, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,107,610, or 43.02 percent of total general fund expenditures for the fiscal year.
- Graham County's total debt increased by \$2,218,389 (46.40%) during the current fiscal year. The County incurred additional installment notes payable for the acquisition, renovation and improvement of the Phillips & Jordan Building and for the purchase of a Chevrolet Express Cargo Van. The primary factor in the net increase in debt was the current year proceeds in excess of scheduled principal repayments.

**Overview of the Financial Statements**

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

**Required Components of Annual Financial Report**

Figure 1



## Basic Financial Statements

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

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

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

## Government-wide Financial Statements

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

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

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

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

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

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

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

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

## Fund Financial Statements

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

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

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

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

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 19 of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the enhanced accounting and financial reporting related to pensions for governments. Required supplementary information can be found beginning on page 47 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 \$17,750,151 as of June 30, 2017. The County's net position increased by \$2,303,410 for the fiscal year ended June 30, 2017. One of the largest portions \$11,432,972 (64.41%) 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 \$5,599,177 (31.54%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$718,002 is unrestricted.

### Graham County, North Carolina's Net Position

Figure 2

|   | Governmental Activities |               |
|---|-------------------------|---------------|
|   | 2017                    | 2016          |
| Current and other assets                            | \$ 12,754,004           | \$ 8,499,312  |
| Capital assets                                      | 12,695,044              | 11,928,105    |
| Deferred outflows of resources                      | 1,525,627               | 471,081       |
| Total assets and deferred outflows of resources     | 26,974,675              | 20,898,498    |
| Long-term liabilities outstanding                   | 7,597,189               | 3,516,929     |
| Other liabilities                                   | 1,425,675               | 1,617,820     |
| Deferred inflows of resources                       | 201,660                 | 279,778       |
| Total liabilities and deferred inflows of resources | 9,224,524               | 5,414,527     |
| Net position:                                       |                         |               |
| Net investment in capital assets                    | 11,432,972              | 10,341,096    |
| Restricted  | 5,599,177               | 2,244,664     |
| Unrestricted  | 718,002                 | 2,898,211     |
| Total net position                                  | \$ 17,750,151           | \$ 15,483,971 |

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 96.65%, lower than the statewide average of 98.82%, and slightly lower than the county average of 96.88% for counties with populations of 24,999 and below. The percentage collection rate increased slightly due to increased vigilance on the part of the Tax Collector to collect taxes in a timely manner.
- Continued pay down of debt balances positively influenced net position.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget.

## Graham County, North Carolina's Changes in Net Position

Figure 3

|  | Governmental Activities |               |
|--|-------------------------|---------------|
|  | 2017                    | 2016          |
| Revenues:  |                         |               |
| Program revenues:  |                         |               |
| Charges for services   | \$ 2,150,126            | \$ 2,039,657  |
| Operating grants and contributions                           | 3,325,077               | 3,637,625     |
| Capital grants and contributions                             | 738,465                 | 159,214       |
| General revenues:  |                         |               |
| Property taxes   | 6,252,096               | 6,196,316     |
| Other taxes  | 2,414,588               | 1,993,920     |
| Grants and contributions not restricted to specific programs | 976,744                 | 1,062,412     |
| Investment earnings, unrestricted                            | 9,661                   | 8,272         |
| Other  | 86,613                  | 82,890        |
| Total revenues   | 15,953,370              | 15,180,306    |
| Expenses:  |                         |               |
| General government   | 3,070,390               | 2,677,537     |
| Public safety  | 4,476,771               | 4,419,508     |
| Economic and physical development                            | 264,923                 | 310,456       |
| Human services   | 4,638,075               | 4,203,000     |
| Cultural and recreational                                    | 465,102                 | 487,841       |
| Education  | 632,169                 | 747,578       |
| Interest on long-term debt                                   | 102,530                 | 114,144       |
| Total expenses   | 13,649,960              | 12,960,064    |
| Change in net position after transfers and special item      | 2,303,410               | 2,220,242     |
| Net position, beginning previously reported                  | 15,483,971              | 13,610,757    |
| Net position, beginning, restated                            | 15,446,741              | 13,263,729    |
| Net position, ending   | \$ 33,234,122           | \$ 15,483,971 |

**Governmental activities.** Governmental activities increased the County's net position by \$2,303,410. Key elements of this increase are as follows:

- Maintenance of the County's high tax collection rate of 96.65%.
- The \$110,469 increase in charges for services was primarily due to an increase in services related to Public Safety and Human Services.
- Grant revenues increased primarily because two of the three active construction projects the County had ongoing during the year.
- Total expenditures increased somewhat due to construction expenditures for capital projects and increased personnel costs.

### Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of Graham County. At the end of the current fiscal year, Graham County's fund balance available in the General Fund was \$6,645,362 while total fund balance reached \$7,758,134. 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 46.89% of general fund expenditures (as adjusted), while total fund balance represents 54.74% of that same amount.

At June 30, 2017, the governmental funds of Graham County reported a combined fund balance of \$11,784,010, a 51.09% increase over last year. The primary reason for this increase was attributed to the \$2,873,000 of installment purchase proceeds for the acquisition, renovation and improvement of the Phillips & Jordan Building.

**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 \$449,663. Budget amendments were made concurrently as facts and circumstances 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, 2017, total \$12,695,044 (net of accumulated depreciation). These assets include land, construction in progress, buildings, equipment, and vehicles.

Major capital asset transactions during the year included:

- Purchased four vans for the Transit Department totaling \$222,417.
- Purchased tablets and scheduling software for vans for the Transit Department totaling \$90,615.
- Purchased two new ambulances totaling \$211,111 for the Ambulance Service Department.
- Rebuilt an ambulance for \$19,994 for the Ambulance Service Department.
- Purchased five vehicles for the General Government Department totaling \$104,318.
- Purchased a roof for the Stecoah Valley Center for \$68,161.
- Rebuilt a Peterbilt truck for the Sanitation Department for \$32,025
- Purchased land for the future location of the Travel and Tourism Authority in the amount of \$31,907.
- Purchased a van for the Senior Center for \$30,323.
- Purchased an HVAC system for the Library for \$18,450.
- Addition of construction in progress on the three active construction projects in the amount of \$618,661.

### Graham County, North Carolina's Capital Assets

(net of depreciation)

Figure 4

| Governmental Activities: | 2017          | 2016          |
|--------------------------|---------------|---------------|
| Land                     | \$ 1,798,099  | \$ 1,766,191  |
| Construction in progress | 729,177       | 110,424       |
| Buildings                | 7,539,602     | 7,711,672     |
| Other improvements       | 930,418       | 973,348       |
| Equipment and furniture  | 726,677       | 790,126       |
| Vehicles                 | 971,071       | 576,344       |
| Total                    | \$ 12,695,044 | \$ 11,928,105 |

### Construction commitments

The County has the following active construction projects as of June 30, 2017:

| Project                                    | Spent-to-date | Remaining<br>Commitment |
|--|---------------|-------------------------|
| Graham County Park                         | \$ 44,648     | \$ 455,352              |
| Graham County E911 Enhancement/Replacement | 433,205       | 2,902,547               |
| Phillips and Jordan Building Project       | 185,548       | 2,314,452               |
| Total                                      | \$ 663,401    | \$ 5,672,351            |

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

**Long-Term Obligations.** Debt totals include general obligation bonds, revenue bonds, installment financings, capital leases, certificates of participation and bond anticipation notes. As of June 30, 2017, Graham County had total debt outstanding of \$6,401,464. The entire debt is backed by the full faith and credit of the County. Compensated absences and unpaid pension related debt are included in the total long-term obligations.

### Graham County, North Carolina's Long-Term Obligations

Figure 5

| Governmental Activities:         | <u>2017</u>         | <u>2016</u>         |
|----------------------------------|---------------------|---------------------|
| General obligation debt          | \$ 1,571,000        | \$ 1,822,000        |
| Capitalized leases               | 6,390               | 59,732              |
| Installment notes payable        | <u>4,824,074</u>    | <u>2,301,343</u>    |
| Total debt outstanding           | <u>6,401,464</u>    | <u>4,183,075</u>    |
| Compensated absences             | 344,682             | 290,288             |
| Net pension liability (LRS)      | 1,613,401           | 307,741             |
| Total pension liability (LEOSSA) | <u>54,874</u>       | <u>-</u>            |
| Total long-term obligations      | <u>\$ 8,414,421</u> | <u>\$ 4,781,104</u> |

Graham County's total debt increased by \$2,218,389 (46.40%) during the current fiscal year. The County incurred additional installment notes payable for the acquisition, renovation and improvement of the Phillips & Jordan Building and for the purchase of a Chevrolet Express Cargo Van. The primary factor in the net increase in debt was the current year proceeds in excess of scheduled principal repayments.

Under State law counties are fiscally responsible for providing and maintaining school buildings for the public school system and the community college. At June 30, 2017 the County had debt outstanding of \$2,260,672 for these activities.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Graham County is \$79,475,459.

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

### Economic Factors and Next Year's Budgets and Rates

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

- The County budgeted a projected increase in property taxes (benefiting from the economic growth) and sales tax revenues. The County will use these increases in revenues to finance programs currently in place.
- County leaders also have continued with stringent controls over spending to help maintain reserves during the current state of the economy.
- The current unemployment rate for Graham County is 5.6% as of June 2017, which is significantly higher than the state average of 4.2 percent.

### Budget Highlights for the Fiscal Year Ending June 30, 2018

The property tax rate was maintained at \$.585 to sustain current tax revenue streams. The County did appropriate \$176,098 in fund balance for the fiscal year 2018 budget. To alleviate any deficit in revenues the County continues to monitor strict spending policies. Staff levels are maintained at levels lower than pre-recession employment in order to curtail spending. Management believes the expected future growth will generate enough revenue to support the County's operations.

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

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

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**BASIC FINANCIAL STATEMENTS**

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**Graham County, North Carolina**  
**Statement of Net Position**  
**June 30, 2017**

**Exhibit 1**

|  | <b>Primary<br/>Government</b>      | <b>Component Units</b>                  |  |
|--|------------------------------------|---|--|
|  | <b>Governmental<br/>Activities</b> | <b>Travel and<br/>Tourism Authority</b> | <b>Rural<br/>Development<br/>Authority</b> |
| <b>ASSETS</b>                                    |                                    |   |  |
| Cash and cash equivalents                        | \$ 6,830,173                       | \$ 304,147                              | \$ 126,645                                 |
| Restricted cash and cash equivalents             | 1,802,359                          | 9,971                                   | -  |
| Restricted investments                           | 2,878,720                          | -                                       | -  |
| Receivables, net                                 | 616,333                            | 29,337                                  | 3  |
| Due from other governments                       | 611,219                            | 9,501                                   | 80,000                                     |
| Due from component unit                          | 2,422                              | -                                       | -  |
| Assets held for resale                           | -                                  | -                                       | 11,558                                     |
| Net pension asset                                | 12,778                             | -                                       | -  |
| Capital assets:                                  |                                    |   |  |
| Land, improvements, and construction in progress | 2,527,276                          | -                                       | 3,775                                      |
| Other capital assets, net of depreciation        | 10,167,768                         | -                                       | -  |
| Total capital assets                             | <u>12,695,044</u>                  | <u>-</u>                                | <u>3,775</u>                               |
| Total assets                                     | <u>25,449,048</u>                  | <u>352,956</u>                          | <u>221,981</u>                             |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>            | 1,525,627                          | -                                       | -  |
| <b>LIABILITIES</b>                               |                                    |   |  |
| Current liabilities:                             |                                    |   |  |
| Accounts payable and accrued expenses            | 538,561                            | 3,552                                   | -  |
| Accrued interest payable                         | 24,572                             | -                                       | -  |
| Due to primary government                        | -                                  | 2,422                                   | -  |
| Unearned revenue                                 | 45,310                             | -                                       | -  |
| Current portion of long-term liabilities         | 817,232                            | -                                       | -  |
| Total current liabilities:                       | <u>1,425,675</u>                   | <u>5,974</u>                            | <u>-</u>                                   |
| Long-term liabilities:                           |                                    |   |  |
| Net pension liability - LGERS                    | 1,613,401                          | -                                       | -  |
| Total pension liability - LEOSSA                 | 54,874                             | -                                       | -  |
| Due in more than one year                        | 5,928,914                          | -                                       | -  |
| Total long-term liabilities:                     | <u>7,597,189</u>                   | <u>-</u>                                | <u>-</u>                                   |
| Total liabilities                                | <u>9,022,864</u>                   | <u>5,974</u>                            | <u>-</u>                                   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>             | 201,660                            | -                                       | -  |
| <b>NET POSITION</b>                              |                                    |   |  |
| Net investment in capital assets                 | 11,432,972                         | -                                       | 3,775                                      |
| Restricted for:                                  |                                    |   |  |
| Capital projects                                 | 2,688,072                          | -                                       | -  |
| Debt service - USDA reserve                      | 4,595                              | -                                       | -  |
| Law enforcement                                  | 50,993                             | -                                       | -  |
| Public safety                                    | 493,718                            | -                                       | -  |
| Economic development                             | 824,011                            | -                                       | -  |
| Register of Deeds                                | 41,678                             | -                                       | -  |
| Stabilization by state statute                   | 1,443,157                          | 38,838                                  | 78,006                                     |
| Courts   | 6,996                              | -                                       | -  |
| Human services                                   | 45,957                             | -                                       | -  |
| Unrestricted                                     | 718,002                            | 308,144                                 | 140,200                                    |
| Total net position                               | <u>\$ 17,750,151</u>               | <u>\$ 346,982</u>                       | <u>\$ 221,981</u>                          |

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

**Graham County, North Carolina**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**

| Functions/Programs   | Program Revenues     |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                      |                              |                             |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|----------------------|------------------------------|-----------------------------|
|  | Expenses             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                                |                      | Component Units              |                             |
|  |                      |                      |                                    |                                  | Governmental Activities                           | Total                | Travel and Tourism Authority | Rural Development Authority |
| <b>Primary government:</b>                                   |                      |                      |                                    |                                  |   |                      |                              |                             |
| Governmental Activities:                                     |                      |                      |                                    |                                  |   |                      |                              |                             |
| General government   | \$ 3,070,390         | \$ 129,517           | \$ 31,907                          | \$ -                             | \$ (2,908,966)                                    | \$ (2,908,966)       | \$ -                         | \$ -                        |
| Public safety  | 4,476,771            | 1,044,518            | 215,839                            | 433,205                          | (2,783,209)                                       | (2,783,209)          | -                            | -                           |
| Economic and physical development                            | 264,923              | 4,886                | -                                  | -                                | (260,037)   | (260,037)            | -                            | -                           |
| Human services   | 4,638,075            | 899,206              | 3,026,133                          | 305,260                          | (407,476)   | (407,476)            | -                            | -                           |
| Cultural and recreation                                      | 465,102              | 71,999               | 8,029                              | -                                | (385,074)   | (385,074)            | -                            | -                           |
| Education  | 632,169              | -                    | 43,169                             | -                                | (589,000)   | (589,000)            | -                            | -                           |
| Interest on long-term debt                                   | 102,530              | -                    | -                                  | -                                | (102,530)   | (102,530)            | -                            | -                           |
| Total governmental activities                                | <u>\$ 13,649,960</u> | <u>\$ 2,150,126</u>  | <u>\$ 3,325,077</u>                | <u>\$ 738,465</u>                | <u>(7,436,292)</u>                                | <u>(7,436,292)</u>   | <u>-</u>                     | <u>-</u>                    |
| <b>Component units:</b>                                      |                      |                      |                                    |                                  |   |                      |                              |                             |
| Travel and Tourism Authority                                 | \$ 162,183           | \$ -                 | \$ -                               | \$ -                             |   |                      | \$ (162,183)                 | \$ -                        |
| Rural Development Authority                                  | 4,410                | -                    | -                                  | -                                |   |                      | -                            | (4,410)                     |
| Total component units  | <u>\$ 166,593</u>    | <u>\$ -</u>          | <u>\$ -</u>                        | <u>\$ -</u>                      |   |                      | <u>(162,183)</u>             | <u>(4,410)</u>              |
| General revenues:  |                      |                      |                                    |                                  |   |                      |                              |                             |
| Taxes:   |                      |                      |                                    |                                  |   |                      |                              |                             |
| Property taxes, levied for general purpose                   |                      |                      |                                    |                                  | 6,252,096   | 6,252,096            | -                            | -                           |
| Local option sales tax                                       |                      |                      |                                    |                                  | 1,905,638   | 1,905,638            | -                            | -                           |
| Other taxes and licenses                                     |                      |                      |                                    |                                  | 508,950   | 508,950              | 255,311                      | -                           |
| Grants and contributions not restricted to specific programs |                      |                      |                                    |                                  | 976,744   | 976,744              | -                            | -                           |
| Investment earnings, unrestricted                            |                      |                      |                                    |                                  | 9,661   | 9,661                | 325                          | 155                         |
| Miscellaneous, unrestricted                                  |                      |                      |                                    |                                  | 86,613  | 86,613               | 180                          | -                           |
| Total general revenues excluding transfers and special items |                      |                      |                                    |                                  | <u>9,739,702</u>                                  | <u>9,739,702</u>     | <u>255,816</u>               | <u>155</u>                  |
| Change in net position                                       |                      |                      |                                    |                                  | 2,303,410   | 2,303,410            | 93,633                       | (4,255)                     |
| Net position, beginning previously reported                  |                      |                      |                                    |                                  | 15,483,971  | 15,483,971           | 253,349                      | 226,236                     |
| Prior period adjustment/restatement                          |                      |                      |                                    |                                  | (37,230)  | (37,230)             | -                            | -                           |
| Net position, beginning as restated                          |                      |                      |                                    |                                  | <u>15,446,741</u>                                 | <u>15,446,741</u>    | <u>253,349</u>               | <u>226,236</u>              |
| Net position, ending   |                      |                      |                                    |                                  | <u>\$ 17,750,151</u>                              | <u>\$ 17,750,151</u> | <u>\$ 346,982</u>            | <u>\$ 221,981</u>           |

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

**Graham County, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

**Exhibit 3**

|   | Major        |  |  | Total<br>Non-Major<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------|--|--|-----------------------------|--------------------------------|
|   | General      | Phillips<br>and Jordan<br>Building Capital<br>Project Fund | Graham<br>County E 911<br>Enhancement/<br>Replacement<br>Capital<br>Project Fund |                             |                                |
| <b>ASSETS</b>   |              |  |  |                             |                                |
| Cash and cash equivalents   | \$ 6,830,173 | \$ -   | \$ -   | \$ -                        | \$ 6,830,173                   |
| Restricted cash and cash equivalents                                | 480,654      | -  | -  | 1,321,705                   | 1,802,359                      |
| Restricted investments  | 5,100        | 2,873,620  | -  | -                           | 2,878,720                      |
| Receivables, net  |              |  |  |                             |                                |
| Taxes   | 266,466      | -  | -  | -                           | 266,466                        |
| Accounts  | 3,599        | -  | 310,310  | 14,533                      | 328,442                        |
| Due from other governments  | 610,893      | -  | -  | 326                         | 611,219                        |
| Due from other funds  | 495,858      | -  | -  | 5,216                       | 501,074                        |
| Due from component unit   | 2,422        | -  | -  | -                           | 2,422                          |
| Total assets  | \$ 8,695,165 | \$ 2,873,620   | \$ 310,310   | \$ 1,341,780                | \$ 13,220,875                  |
| <b>LIABILITIES AND FUND BALANCES</b>                                |              |  |  |                             |                                |
| Liabilities:  |              |  |  |                             |                                |
| Accounts payable and accrued liabilities                            | \$ 534,585   | \$ -   | \$ -   | \$ 3,976                    | \$ 538,561                     |
| Due to other funds  | 5,216        | 185,548  | 310,310  | -                           | 501,074                        |
| Unearned revenue  | 45,310       | -  | -  | -                           | 45,310                         |
| Total liabilities   | 585,111      | 185,548  | 310,310  | 3,976                       | 1,084,945                      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                |              |  |  |                             |                                |
| Property taxes receivable   | 266,466      | -  | -  | -                           | 266,466                        |
| Unearned revenue  | 85,454       | -  | -  | -                           | 85,454                         |
| Total deferred inflows of resources                                 | 351,920      | -  | -  | -                           | 351,920                        |
| Fund balances:  |              |  |  |                             |                                |
| Restricted:   |              |  |  |                             |                                |
| Register of deeds   | 41,678       | -  | -  | -                           | 41,678                         |
| Stabilization by state statute                                      | 1,112,772    | -  | 310,310  | 20,075                      | 1,443,157                      |
| Capital projects  | -            | 2,688,072  | -  | -                           | 2,688,072                      |
| Human services  | 45,957       | -  | -  | -                           | 45,957                         |
| Law enforcement   | 50,993       | -  | -  | -                           | 50,993                         |
| Public safety   | -            | -  | -  | 493,718                     | 493,718                        |
| Economic development  | -            | -  | -  | 824,011                     | 824,011                        |
| Courts  | 6,996        | -  | -  | -                           | 6,996                          |
| USDA reserve  | 4,595        | -  | -  | -                           | 4,595                          |
| Committed:  |              |  |  |                             |                                |
| Tax revaluation   | 211,435      | -  | -  | -                           | 211,435                        |
| Assigned  |              |  |  |                             |                                |
| Subsequent year's expenditures                                      | 176,098      | -  | -  | -                           | 176,098                        |
| Unassigned:   | 6,107,610    | -  | (310,310)  | -                           | 5,797,300                      |
| Total fund balances   | 7,758,134    | 2,688,072  | -  | 1,337,804                   | 11,784,010                     |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 8,695,165 | \$ 2,873,620   | \$ 310,310   | \$ 1,341,780                | \$ 13,220,875                  |

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

**Graham County, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

**Exhibit 3**

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

|  |               |
|--|---------------|
| Total Fund Balance, Governmental Funds   | 11,784,010    |
| Charges related to advance refunding bond issue  | 30,144        |
| Interest receivable accrued on property taxes are not current financial resources and therefore are not reported in the funds  | 21,425        |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds   | 12,695,044    |
| Net pension asset  | 12,778        |
| Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position  | 300,592       |
| Net pension liability  | (1,613,401)   |
| Total pension liability  | (54,874)      |
| Deferred inflows of resources for taxes  | 266,466       |
| Pension related deferrals  | 1,078,685     |
| Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds |               |
| Accrued interest payable   | (24,572)      |
| Long-term obligations  | (6,746,146)   |
| Net position of governmental activities  | \$ 17,750,151 |

*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**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2017**

**Exhibit 4**

|  | Major               |   |  | Total<br>Non-Major<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---|--|-----------------------------|--------------------------------|
|  | General             | Phillips<br>and Jordan<br>Building<br>Capital<br>Project Fund | Graham<br>County E 911<br>Enhancement/<br>Replacement<br>Capital<br>Project Fund |                             |                                |
| <b>REVENUES</b>                                      |                     |   |  |                             |                                |
| Ad valorem taxes                                     | \$ 6,258,361        | \$ -  | \$ -   | \$ -                        | \$ 6,258,361                   |
| Local option sales taxes                             | 1,905,638           | -   | -  | -                           | 1,905,638                      |
| Other taxes and licenses                             | 508,950             | -   | -  | -                           | 508,950                        |
| Unrestricted intergovernmental                       | 976,744             | -   | -  | -                           | 976,744                        |
| Restricted intergovernmental                         | 3,504,085           | -   | 433,205  | 78,456                      | 4,015,746                      |
| Other restricted revenue                             | 49,224              | -   | -  | -                           | 49,224                         |
| Permits and fees                                     | 133,754             | -   | -  | -                           | 133,754                        |
| Sales and services                                   | 2,014,944           | 620   | -  | -                           | 2,015,564                      |
| Investment earnings                                  | 7,760               | -   | -  | 1,281                       | 9,041                          |
| Miscellaneous  | 86,613              | -   | -  | -                           | 86,613                         |
| Total revenues                                       | <u>15,446,073</u>   | <u>620</u>  | <u>433,205</u>   | <u>79,737</u>               | <u>15,959,635</u>              |
| <b>EXPENDITURES</b>                                  |                     |   |  |                             |                                |
| Current:   |                     |   |  |                             |                                |
| General government                                   | 3,055,291           | 185,548   | -  | -                           | 3,240,839                      |
| Public safety  | 4,486,800           | -   | 433,205  | 56,277                      | 4,976,282                      |
| Economic and physical development                    | 261,993             | -   | -  | -                           | 261,993                        |
| Human services                                       | 4,722,368           | -   | -  | -                           | 4,722,368                      |
| Cultural and recreational                            | 405,489             | -   | -  | -                           | 405,489                        |
| Intergovernmental:                                   |                     |   |  |                             |                                |
| Education  | 1,007,647           | -   | -  | -                           | 1,007,647                      |
| Special appropriations                               | 258,028             | -   | -  | -                           | 258,028                        |
| Total expenditures                                   | <u>14,197,616</u>   | <u>185,548</u>  | <u>433,205</u>   | <u>56,277</u>               | <u>14,872,646</u>              |
| Excess (deficiency) of<br>revenues over expenditures | <u>1,248,457</u>    | <u>(184,928)</u>  | <u>-</u>   | <u>23,460</u>               | <u>1,086,989</u>               |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                     |   |  |                             |                                |
| Installment purchase proceeds                        | 24,823              | 2,873,000   | -  | -                           | 2,897,823                      |
| Total other financing sources (uses)                 | <u>24,823</u>       | <u>2,873,000</u>  | <u>-</u>   | <u>-</u>                    | <u>2,897,823</u>               |
| Net change in fund balance                           | 1,273,280           | 2,688,072   | -  | 23,460                      | 3,984,812                      |
| Fund balance, beginning<br>as previously reported    | 6,437,365           | -   | -  | 1,307,479                   | 7,744,844                      |
| Prior period adjustment                              | 47,489              | -   | -  | 6,865                       | 54,354                         |
| Fund balances, beginning as restated                 | <u>6,484,854</u>    | <u>-</u>  | <u>-</u>   | <u>1,314,344</u>            | <u>7,799,198</u>               |
| Fund balances, ending                                | <u>\$ 7,758,134</u> | <u>\$ 2,688,072</u>   | <u>\$ -</u>  | <u>\$ 1,337,804</u>         | <u>\$ 11,784,010</u>           |

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

**Graham County, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**

**Exhibit 5**

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

|   |                            |
|---|----------------------------|
| Net changes in fund balances - total governmental funds   | \$ 3,984,812               |
| <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 expenditures which were capitalized  | 1,548,608                  |
| Depreciation expense for governmental assets  | (781,669)                  |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities  | 300,592                    |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>  |                            |
| Change in unavailable revenue for tax revenues  | (6,265)                    |
| <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  | (2,897,823)                |
| Principal payments on long-term debt  | 679,434                    |
| <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  | (54,394)                   |
| Pension expense   | (464,861)                  |
| Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)   | (5,024)                    |
| Total changes in net position of governmental activities  | <u><u>\$ 2,303,410</u></u> |

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

**Graham County, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**For the Fiscal Year Ended June 30, 2017**

|  | General Fund       |                   |                            | Variance<br>Positive<br>(Negative) |
|--|--------------------|-------------------|----------------------------|------------------------------------|
|  | Original<br>Budget | Final<br>Budget   | Actual                     |                                    |
| <b>REVENUES</b>  |                    |                   |                            |                                    |
| Ad valorem taxes   | \$ 6,187,543       | \$ 6,187,543      | \$ 6,258,361               | \$ 70,818                          |
| Local option sales taxes   | 1,669,625          | 1,704,625         | 1,905,638                  | 201,013                            |
| Other taxes and licenses   | 399,100            | 434,100           | 508,950                    | 74,850                             |
| Unrestricted intergovernmental   | 995,000            | 1,051,500         | 976,744                    | (74,756)                           |
| Restricted intergovernmental   | 3,824,115          | 4,065,209         | 3,504,085                  | (561,124)                          |
| Other restricted revenues  | 79,500             | 79,500            | 49,224                     | (30,276)                           |
| Permits and fees   | 125,000            | 125,000           | 133,754                    | 8,754                              |
| Sales and services   | 1,723,946          | 1,750,934         | 2,014,944                  | 264,010                            |
| Investment earnings  | 6,545              | 6,545             | 7,596                      | 1,051                              |
| Miscellaneous  | 52,000             | 107,061           | 86,613                     | (20,448)                           |
| Total revenues   | <u>15,062,374</u>  | <u>15,512,017</u> | <u>15,445,909</u>          | <u>(66,108)</u>                    |
| <b>EXPENDITURES</b>  |                    |                   |                            |                                    |
| Current:   |                    |                   |                            |                                    |
| General government   | 3,213,736          | 3,263,530         | 3,050,149                  | 213,381                            |
| Public safety  | 4,878,186          | 4,952,186         | 4,486,800                  | 465,386                            |
| Economic and physical development  | 266,564            | 282,164           | 261,993                    | 20,171                             |
| Human services   | 5,095,374          | 5,440,259         | 4,722,368                  | 717,891                            |
| Cultural and recreational  | 461,387            | 464,887           | 405,489                    | 59,398                             |
| Special appropriations   | 1,214,016          | 1,266,785         | 1,265,675                  | 1,110                              |
| Total expenditures   | <u>15,129,263</u>  | <u>15,669,811</u> | <u>14,192,474</u>          | <u>1,477,337</u>                   |
| Revenues over (under) expenditures   | <u>(66,889)</u>    | <u>(157,794)</u>  | <u>1,253,435</u>           | <u>1,411,229</u>                   |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                    |                   |                            |                                    |
| Transfers out  | (50,000)           | (50,000)          | (50,000)                   | -                                  |
| Proceeds from long term debt issue   | -                  | 23,000            | 24,823                     | 1,823                              |
| Total other financing sources (uses)   | <u>(50,000)</u>    | <u>(27,000)</u>   | <u>(25,177)</u>            | <u>1,823</u>                       |
| Fund balance appropriated/(additions)  | <u>116,889</u>     | <u>184,794</u>    | <u>-</u>                   | <u>(184,794)</u>                   |
| Net change in fund balance   | <u>\$ -</u>        | <u>\$ -</u>       | <u>1,228,258</u>           | <u>\$ 1,228,258</u>                |
| Fund balance, beginning as previously reported   |                    |                   | 6,270,952                  |                                    |
| Prior period adjustment  |                    |                   | <u>47,489</u>              |                                    |
| Fund balance, beginning as restated  |                    |                   | <u>6,318,441</u>           |                                    |
| Fund balance, ending   |                    |                   | <u><u>\$ 7,546,699</u></u> |                                    |
| A legally budgeted Tax Revaluation is consolidated into the General Fund for reporting purposes: |                    |                   |                            |                                    |
| Investment earnings  |                    |                   | 164                        |                                    |
| Transfer in from General Fund  |                    |                   | 50,000                     |                                    |
| Expenditures   |                    |                   | <u>(5,142)</u>             |                                    |
| Fund balance, beginning  |                    |                   | 166,413                    |                                    |
| Fund balance, ending (Exhibit 4)   |                    |                   | <u><u>\$ 7,758,134</u></u> |                                    |

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

**Graham County, North Carolina**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2017**

**Exhibit 7**

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|   | <u>Agency<br/>Fund</u> |
|---|------------------------|
| <b>ASSETS</b>                                       |                        |
| Cash and cash equivalents                           | \$ 30,144              |
| <b>LIABILITIES</b>                                  |                        |
| Liabilities:  |                        |
| Miscellaneous liabilities                           | \$ 29,155              |
| Intergovernmental payable - State of North Carolina | 989                    |
| Total liabilities                                   | <u>\$ 30,144</u>       |

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



**Graham County, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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**Graham County, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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**Graham County, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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**I. Summary of Significant Accounting Policies**

The accounting policies of Graham County and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

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

**Discretely Presented Component Units**

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

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

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

**B. Basis of Presentation, Basis of Accounting**

**Basis of Presentation, Measurement Focus – Basis of Accounting**

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

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

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

The County reports the following major governmental funds:

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

*Graham County Park Capital Project Fund.* This fund accounts for the construction of the PARTF Recreation Park located at the former Stanley Furniture Company facility funded by a grant from the Parks and Recreation Trust Fund. For the fiscal year ended June 30, 2017, the fund had no financial transactions to report.

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

*Phillips and Jordan Building Capital Project Fund.* This fund accounts for the acquisition, renovation and improvement of the Phillips & Jordan Building located at 191 P&J Road, Robbinsville, North Carolina. This project is financed by loan proceeds.

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

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

*Non-major Funds.* The County maintains two legally budgeted non-major funds. The Emergency Telephone System Fund and the Economic Development Fund ("EDC") are reported as non-major special revenue funds.

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

*Government-wide and Fiduciary Fund Financial Statements.* The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

**C. Budgetary Data**

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

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

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

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

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

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

| Graham County Restricted Cash and Cash Equivalents                 |   |                   |
|--|---|-------------------|
| Governmental Activities  |   |                   |
| General Fund   | Facility Fund   | \$ 6,996          |
|  | Register of Deeds AE&P Fund                             | 41,678            |
|  | Duke Energy STW/Shareholder FDS                         | 5,259             |
|  | Unexpended grant proceeds - low-income housing          | 45,465            |
|  | Unexpended grant proceeds -ARC                          | 948               |
|  | Unexpended grant proceeds - transit                     | 45,957            |
|  | Sheriff Impound Fees                                    | 6,211             |
|  | Sheriff Concealed Permits                               | 44,430            |
|  | 4H Youth Education                                      | 13,200            |
|  | Sheriff's Office Trust Account                          | 352               |
|  | Sheriff NC Drug Tax Account                             | 34,399            |
|  | Sheriff Federal Drug Account                            | 2,057             |
|  | Soil and Water Conservation                             | 17,769            |
|  | USDA Reserve Account - condition of loan                | 4,595             |
|  | Tax revaluation   | 211,338           |
|  | Total General Fund Restricted Cash and Cash Equivalents | <u>480,654</u>    |
| Emergency Telephone Fund   | 911 emergency service                                   | 497,694           |
| Total Governmental Activities Restricted Cash and Cash Equivalents |   | <u>\$ 978,348</u> |

| Graham County Restricted Investments                 |                                      |                     |
|--|--------------------------------------|---------------------|
| Governmental Activities                              |                                      |                     |
| General Fund   | Unexpended debt proceeds - refunding | \$ 5,100            |
| Phillips and Jordan Building Capital Project Fund    | Unexpended debt proceeds             | 2,873,620           |
| Total Governmental Activities Restricted Investments |                                      | <u>\$ 2,878,720</u> |

**Discretely presented component units**

| Graham County Travel & Tourism Authority |                 |          |
|--|-----------------|----------|
| Governmental Activities                  |                 |          |
| General Fund                             | Capital Reserve | \$ 9,971 |

**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, 2016. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

**5. Allowances for Doubtful Accounts**

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

**6. Inventory and Prepaid Items**

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

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

**Discretely presented component units**

*Graham County Rural Development Authority*

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

**7. Capital Assets**

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

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

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

|                                  | Years  |
|----------------------------------|--------|
| Buildings                        | 40     |
| Equipment and furniture          | 3 - 10 |
| Vehicles and motorized equipment | 3 - 10 |

Land and construction in progress are not depreciated.

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

|                        | Years  |
|------------------------|--------|
| Furniture and fixtures | 7      |
| Equipment              | 5 - 10 |
| Vehicles               | 5      |

Construction in progress is not depreciated.

**8. Unearned Revenue**

The County reports unearned revenue on its government-wide and fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the County and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized.

**9. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has three items that meets this criterion - a charge on refunding that had previously been classified as an asset, pension related deferrals, and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has three items that meet the criterion for this category - property taxes receivable, prepaid taxes, and other pension related deferrals.

**10. 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.

**11. 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.

**12. Net Position/Fund Balances****Net Position**

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

**Fund Balances**

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

The governmental fund types classify fund balance as follows:

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

*Restricted Fund Balance* - This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

*Restricted for Stabilization by State Statute* - portion of fund balance that is restricted per G.S. 159-8 (a).

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

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

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

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

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

*Restricted for Capital projects* - portion of fund balance that is restricted by revenue source that can only be used for the unexpended debt proceeds for the acquisition, renovation and improvement of the Phillips & Jordan Building.

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

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

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

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

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



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

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

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

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

**13. Defined Benefit Pension Plans**

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

**14. Reclassifications**

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

**15. 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.

**16. Major Taxpayer**

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

**E. Reconciliation of Government-wide and Fund Financial Statements**

**1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. The net adjustment of \$5,966,141 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) | \$ 20,401,284     |
| Less accumulated depreciation  | (7,706,240)       |
| Net capital assets   | <u>12,695,044</u> |
| Net pension asset  | 12,778            |
| Contributions to the pension plan in the current fiscal year   | 300,592           |
| Deferred outflows of resources related to pensions are not reported in the funds   | 1,194,891         |
| Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not current financial resources  | 30,144            |
| Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements  | 21,425            |

|  |                     |
|--|---------------------|
| Deferred inflows of resources for taxes reported in the fund statements but not the government-wide statements   | 266,466             |
| Deferred inflows of resources related to pensions are not reported in the fund statements  | (116,206)           |
| 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   | (6,401,464)         |
| Compensated absences   | (344,682)           |
| Net pension liability  | (1,613,401)         |
| Total pension liability  | (54,874)            |
| Accrued interest payable   | (24,572)            |
| Total adjustment   | <u>\$ 5,966,141</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 \$1,681,402 as follows:

|  |                       |
|--|-----------------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities   | \$ 1,548,608          |
| 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   | (781,669)             |
| 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 | (2,897,823)           |
| 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                              | 679,434               |
| Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements   |                       |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities   | 300,592               |
| Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)  | (5,024)               |
| Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources  | (54,394)              |
| County's portion of collective pension expense   | (464,861)             |
| Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements   |                       |
| Change in unavailable revenue for tax revenues   | (6,265)               |
| Total adjustment   | <u>\$ (1,681,402)</u> |

**II. Stewardship, Compliance, and Accountability**

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

**1. Noncompliance with North Carolina General Statutes**

None Noted.

**2. Contractual Violations**

None Noted.

**B. Excess of Expenditures over Appropriations**

None Noted.

**III. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

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

Because of the inability to measure the exact amount of collateral pledged for the County, T&T or RDA under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The T&T and RDA have no formal policies regarding custodial credit risk for deposits.

At June 30, 2017, the County's deposits had a carrying amount of \$8,662,275 and a bank balance of \$9,077,131. Of the bank balance, \$423,683 was covered by federal depository insurance and \$8,653,448 was covered by collateral held under the Pooling Method.

At June 30, 2017, Graham County had \$401 cash on hand.

At June 30, 2017 the carrying amount of deposits for T&T was \$314,118 and the bank balance was \$320,596. Of the bank balance, \$70,596 was not covered by federal depository insurance.

At June 30, 2017, the carrying amount of deposits for RDA was \$126,645 and the bank balance was \$126,645. All of the bank balance was covered by federal depository insurance.

**2. Investments**

As of June 30, 2017, the County had the following investments and maturities.

| Investments by Type                                | Valuation Measurement Method | Fair Value   | Maturity | Rating |
|--|------------------------------|--------------|----------|--------|
| NC Capital Management Trust - Government Portfolio | Amortized Cost               | \$ 2,878,720 | N/A      | AAAm   |
| Total  |                              | \$ 2,878,720 |          |        |

The County has no policy regarding credit risk.

**3. Receivables**

Receivables at the government-wide level at June 30, 2017, were as follows:

|                                 | Landfill Receivable | Taxes Receivable | Accrued Interest Receivable on Taxes | Accounts   | Total      |
|---------------------------------|---------------------|------------------|--------------------------------------|------------|------------|
| Governmental Activities:        |                     |                  |                                      |            |            |
| General                         | \$ 7,831            | \$ 495,129       | \$ 21,425                            | \$ 3,599   | \$ 527,984 |
| Other governmental              | -                   | -                | -                                    | 324,843    | 324,843    |
| Total receivables               | 7,831               | 495,129          | 21,425                               | 328,442    | 852,827    |
| Allowance for doubtful accounts | 7,831               | 228,663          | -                                    | -          | 236,494    |
| Total governmental activities   | \$ -                | \$ 266,466       | \$ 21,425                            | \$ 328,442 | \$ 616,333 |

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

Graham County Travel and Tourism Authority's \$29,337 in accounts receivable at June 30, 2017 are deemed to be fully collectible and are presented as unpaid balances.

Due from other governments that is owed to Graham County Travel and Tourism Authority consists of the amount of sales tax to refunded in the amount of \$9,501 at June 30, 2017.

*Graham County Rural Development Authority*

Due from other governments that is owed to RDA consists of advances to Graham County Board of Education for construction costs (\$65,000) , as well as the value of a lot deeded to the school system for educational purposes (\$15,000), for a total of \$80,000 at June 30, 2017. The school system plans to build a residential home as part of a partnering agreement with Graham County Rural Development Authority. Upon sale of the home, Graham County Rural Development Authority will be reimbursed \$80,000 for land and all advanced costs.

**4. Capital Assets****Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2017, was as follows:

|   | Beginning<br>Balances | Additions | Retirements | Transfers | Ending<br>Balances |
|---|-----------------------|-----------|-------------|-----------|--------------------|
| Capital assets not being depreciated:       |                       |           |             |           |                    |
| Land  | \$ 1,766,191          | \$ 31,908 | \$ -        | \$ -      | \$ 1,798,099       |
| Construction in progress                    | 110,424               | 618,753   | -           | -         | 729,177            |
| Total capital assets not being depreciated  | 1,876,615             | 650,661   | -           | -         | 2,527,276          |
| Capital assets being depreciated:           |                       |           |             |           |                    |
| Buildings                                   | 9,543,892             | 68,160    | -           | -         | 9,612,052          |
| Other improvements                          | 1,282,591             | 13,811    | -           | -         | 1,296,402          |
| Equipment and furniture                     | 3,279,447             | 187,383   | 328,916     | -         | 3,137,914          |
| Vehicles                                    | 3,552,263             | 628,593   | 353,216     | -         | 3,827,640          |
| Total capital assets being depreciated      | 17,658,193            | 897,947   | 682,132     | -         | 17,874,008         |
| Less accumulated depreciation for:          |                       |           |             |           |                    |
| Buildings                                   | 1,832,220             | 240,230   | -           | -         | 2,072,450          |
| Other improvements                          | 309,243               | 56,741    | -           | -         | 365,984            |
| Equipment and furniture                     | 2,489,321             | 250,832   | 328,916     | -         | 2,411,237          |
| Vehicles                                    | 2,975,919             | 233,866   | 353,216     | -         | 2,856,569          |
| Total accumulated depreciation              | 7,606,703             | 781,669   | 682,132     | -         | 7,706,240          |
| Total capital assets being depreciated, net | 10,051,490            |           |             |           | 10,167,768         |
| Governmental activity capital assets, net   | \$ 11,928,105         |           |             |           | \$ 12,695,044      |

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

|                                   |            |
|-----------------------------------|------------|
| General government                | \$ 182,488 |
| Public safety                     | 343,496    |
| Economic and physical development | 1,172      |
| Human services                    | 196,663    |
| Cultural and recreational         | 57,850     |
| Total depreciation expense        | \$ 781,669 |

**Construction commitments**

The County has the following active construction projects as of June 30, 2017:

| Project                                    | Spent-to-date | Remaining<br>Commitment |
|--|---------------|-------------------------|
| Graham County Park                         | \$ 44,648     | \$ 455,352              |
| Graham County E911 Enhancement/Replacement | 433,205       | 2,902,547               |
| Phillips and Jordan Building Project       | 185,548       | 2,314,452               |
| Total                                      | \$ 663,401    | \$ 5,672,351            |

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

Capital asset activity for the Graham County Travel and Tourism Authority for the year ended June 30, 2017, was as follows:

|   | Beginning<br>Balances | Additions | Retirements | Transfers | Ending<br>Balances |
|---|-----------------------|-----------|-------------|-----------|--------------------|
| Capital assets being depreciated:           |                       |           |             |           |                    |
| Equipment                                   | \$ 6,800              | \$ -      | \$ -        | \$ -      | \$ 6,800           |
| Total capital assets being depreciated      | 6,800                 | -         | -           | -         | 6,800              |
| Less accumulated depreciation for:          |                       |           |             |           |                    |
| Equipment                                   | 6,611                 | 189       | -           | -         | 6,800              |
| Total accumulated depreciation              | 6,611                 | 189       | -           | -         | 6,800              |
| Total capital assets being depreciated, net | \$ 189                |           |             |           | \$ -               |

Capital asset activity for the Graham County Rural Development Authority for the year ended June 30, 2017, was as follows:

|  | Beginning<br>Balances | Additions | Retirements | Transfers | Ending<br>Balances |
|--|-----------------------|-----------|-------------|-----------|--------------------|
| Capital assets not being depreciated:      |                       |           |             |           |                    |
| Construction in progress                   | \$ -                  | \$ 3,775  | \$ -        | \$ -      | \$ 3,775           |
| Total capital assets not being depreciated | -                     | 3,775     | -           | -         | 3,775              |
| Total capital assets, net                  | \$ -                  |           |             |           | \$ 3,775           |

**B. Liabilities****1. Payables**

Payables at the government-wide level at June 30, 2017, were as follows:

|                               | Vendors    | Other      | Total      |
|-------------------------------|------------|------------|------------|
| Governmental Activities:      |            |            |            |
| General                       | \$ 420,153 | \$ 114,432 | \$ 534,585 |
| Other governmental            | 3,976      | -          | 3,976      |
| Total-governmental activities | \$ 424,129 | \$ 114,432 | \$ 538,561 |

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

*Plan Description:* The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2017, was 8.000% of compensation for law enforcement officers, 7.250% for general employees and register of deeds, 6.77% for social service employees, and 6.74% for health department employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$299,992 for the year ended June 30, 2017.

*Refunds of Contributions.* County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

**a. Local Governmental Employees' Retirement System**

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

At June 30, 2017, the County reported a liability of \$1,613,401 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the County's proportion was .076%, which was an increase of .007% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$453,047. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows of<br>Resources | Deferred Inflows of<br>Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience  | \$ 30,313                         | \$ 56,535                        |
| Changes of assumptions  | 110,504                           | -                                |
| Net difference between projected and actual earnings on pension plan investments                            | 892,006                           | -                                |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 158,272                           | 57,287                           |
| County contributions subsequent to the measurement date   | 299,992                           | -                                |
| Total   | <u>\$ 1,491,087</u>               | <u>\$ 113,822</u>                |

\$299,992 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

|            |    |         |
|------------|----|---------|
| 2018       | \$ | 168,000 |
| 2019       |    | 168,288 |
| 2020       |    | 458,651 |
| 2021       |    | 282,334 |
| 2022       |    | -       |
| Thereafter |    | -       |

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.0 percent   |
| Salary increases          | 3.5 to 7.75 percent, including inflation and productivity factor          |
| Investment rate of return | 7.25 percent, net of pension plan investment expense, including inflation |

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

| Asset Class          | Target Allocation | Long-Term Expected<br>Real Rate of Return |
|----------------------|-------------------|---|
| Fixed Income         | 29.0%             | 1.4%                                      |
| Global Equity        | 42.0%             | 5.3%                                      |
| Real Estate          | 8.0%              | 4.3%                                      |
| Alternatives         | 8.0%              | 8.9%                                      |
| Credit               | 7.0%              | 6.0%                                      |
| Inflation Protection | 6.0%              | 4.0%                                      |
| Total                | 100.0%            |   |

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

|   | 1% Decrease<br>(6.25%) | Discount Rate<br>(7.25%) | 1% Increase<br>(8.25%) |
|---|------------------------|--------------------------|------------------------|
| County's proportionate share of the net pension liability (asset) | \$ 3,829,349           | \$ 1,613,401             | \$ (237,527)           |

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

**b. Law Enforcement Officers' Special Separation Allowance**

**1. Plan Description**

Carolina 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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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.

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

|  |           |
|--|-----------|
| Retirees receiving benefits  | -         |
| Terminated plan members entitled to but not yet receiving benefits | -         |
| Active plan members  | 13        |
| Total  | <u>13</u> |

**2. Summary of Significant Accounting Policies**

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

**3. Actuarial Assumptions**

Costs were determined using the Entry Age Normal Actuarial cost method in the December 31, 2015 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the

|                  |  |
|------------------|--|
| Inflation        | 3.0 percent  |
| Salary increases | 3.5 to 7.75 percent, including inflation and productivity factor |
| Discount rate    | 3.86 percent   |

The discount rate used to measure the TPL is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Mortality rates are based on the RP-2014 Mortality tables base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

**4. Contributions**

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County did not pay any benefits for the reporting period.



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

At June 30, 2017, the County reported a total pension liability of \$58,874. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$10,969.

|   | Deferred Outflows of<br>Resources | Deferred Inflows of<br>Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience  | \$ -                              | \$ -                             |
| Changes of assumptions  | -                                 | 1,320                            |
| County benefit payments and plan administrative expense made subsequent to the measurement date | -                                 | -                                |
| Total   | \$ -                              | \$ 1,320                         |

\$1,320 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

|            |    |       |
|------------|----|-------|
| 2018       | \$ | (236) |
| 2019       |    | (236) |
| 2020       |    | (236) |
| 2021       |    | (236) |
| 2022       |    | (236) |
| Thereafter |    | (140) |

*Sensitivity of the County's total pension liability to changes in the discount rate.* The following presents the County's total pension liability calculated using the discount rate of 3.86 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1- percentage-point higher (4.86 percent) than the current rate:

|                         | 1% Decrease<br>(2.86%) | Discount Rate<br>(3.86%) | 1% Increase<br>(4.86%) |
|-------------------------|------------------------|--------------------------|------------------------|
| Total pension liability | \$ 60,458              | \$ 54,874                | \$ 49,902              |

**Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance**

|  |    |         |
|--|----|---------|
| Total pension liability as of December 31, 2015  | \$ | 45,225  |
| Changes for the year:  |    |         |
| Service cost   |    | 9,590   |
| Interest on the total pension liability  |    | 1,615   |
| Changes of benefit terms   |    | -       |
| Differences between expected and actual experience in the measurement of the total pension liability |    | -       |
| Changes of assumptions or other inputs   |    | (1,556) |
| Benefit payments   |    | -       |
| Other changes  |    | -       |
| Net changes  |    | 9,649   |
| Total pension liability as of December 31, 2016  | \$ | 54,874  |

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**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.

The County contributed \$21,062 for the year ended June 30, 2017. No amounts were forfeited.

**d. Registers of Deeds' Supplemental Pension Fund**

*Plan Description.* Carolina County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

*Contributions.* Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds' do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$600 for the year ended June 30, 2017.

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

At June 30, 2017, the County reported an asset of \$12,778 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2016, the County's proportion was 0.06835%, which was an increase of .00529% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$848. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience  | \$ 14                                | \$ 165                              |
| Changes of assumptions  | 3,405                                | -                                   |
| Net difference between projected and actual earnings on pension plan investments                              | 22                                   | -                                   |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 355                                  | 899                                 |
| County contributions subsequent to the measurement date   | 600                                  | -                                   |
| Total   | <u>\$ 4,396</u>                      | <u>\$ 1,064</u>                     |

\$600 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

|            |          |
|------------|----------|
| 2018       | \$ 1,284 |
| 2019       | 1,133    |
| 2020       | 457      |
| 2021       | (142)    |
| Thereafter | -        |

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.0 percent   |
| Salary increases          | 3.5 to 7.75 percent, including inflation and productivity factor          |
| Investment rate of return | 3.75 percent, net of pension plan investment expense, including inflation |

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2016 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate.* The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 5.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

|   | 1%<br>Decrease<br>(4.75%) | Discount<br>Rate<br>(5.75%) | 1%<br>Increase<br>(6.75%) |
|---|---------------------------|-----------------------------|---------------------------|
| County's proportionate share of the net pension liability (asset) | \$ (10,304)               | \$ (12,779)                 | \$ (14,858)               |

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

**e. Other Postemployment Benefit**

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

**f. Other Employment Benefits**

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

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

**3. Deferred Outflows and Inflows of Resources**

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Charge on refunding of debt  | \$ 30,144                            | \$ -                                |
| Pensions - difference between expected and actual experience   | 30,327                               | 56,700                              |
| Pensions - changes of assumptions  | 113,909                              | 1,320                               |
| Pensions - difference between projected and actual investment earnings   | 892,028                              | -                                   |
| Pensions - change in proportion and difference between employer contributions and proportionate share of contributions | 158,627                              | 58,186                              |
| Contributions to pension plan subsequent to measurement date (LGERS, ROD)  | 300,592                              | -                                   |
| Prepaid taxes not yet earned (General)   | -                                    | 85,454                              |
| Taxes receivable, net, less penalties (General)  | -                                    | 266,466                             |
| Total deferred inflows of resources  | <u>\$ 1,525,627</u>                  | <u>\$ 468,126</u>                   |

**4. Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of, assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance for these risks of loss. The County obtains property coverage equal to the replacement cost of owned property subject to a total insured value of \$19,426,147, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability at \$1 million per occurrence; auto physical damage for owned autos at actual cash value; crime coverage of \$250,000 per occurrence; and worker's compensation up to the statutory limits. The County is also covered up to \$1 million for flood and earthquake damage. All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County.

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

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

**Discretely presented component units**

*Graham County Travel and Tourism Authority*

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

*Graham County Rural Development Authority*

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

**5. Contingent Liabilities**

At June 30, 2017, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

**6. Long-Term Obligations**

**a. Capital Leases**

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

At June 30, 2017, the County leased vehicles and equipment valued at:

| Classes of Property           | Cost             | Accumulated Depreciation | Net Book Value   |
|-------------------------------|------------------|--------------------------|------------------|
| Equipment - Cisco Phone Lease | 80,138           | 55,333                   | 24,805           |
| Total                         | <u>\$ 80,138</u> | <u>\$ 55,333</u>         | <u>\$ 24,805</u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, are as follows:

|   |                 |
|---|-----------------|
| Year ending June 30,                        |                 |
| 2018  | \$ 6,495        |
| Total minimum lease payments                | <u>6,495</u>    |
| Less: amount representing interest          | <u>105</u>      |
| Present value of the minimum lease payments | <u>\$ 6,390</u> |

**b. Installment Purchases**

The County has entered into several installment purchase contracts. Installment purchase contracts outstanding at June 30, 2017, are as follows:

On September 13, 2005, the County entered into a \$1,618,000 QZAB installment purchase for school improvements. The installment purchase requires 16 annual principal payments of \$84,394, and one final payment of \$267,704, including interest at zero percent. The installment purchase matures on September 13, 2021.

\$ 689,672

|  |  |
|--|--|
| <p>On November 21, 2006, the County entered into a \$2,100,000 installment purchase for the construction of the Health Department/EMS Building. The installment purchase requires 30 semi-annual principal payments of \$70,000; plus interest at 4.41%. The installment purchase matures on September 15, 2021.</p>   | 630,000  |
| <p>On July 17, 2014, the County entered into a \$162,947 installment purchase for the purchase of a VDI network computer system. The installment purchase requires three annual payments of \$56,524, including interest at 1.99%. The installment purchase matures on July 17, 2017.</p>  | 55,405   |
| <p>On October 17, 2014, the County entered into a \$109,919 installment purchase for the purchase of five Dodge Chargers. The installment purchase requires three annual payments of \$38,129, including interest at 1.99%. The installment purchase matures on October 17, 2017.</p>  | 37,375   |
| <p>On September 17, 2015, the County entered into a \$453,818 installment financing arrangement with the United States Department of Agriculture to replace the fund balance reserve that was somewhat depleted by the purchase of the transfer station. The installment contract requires thirty annual payments of \$25,065, including interest at 3.625%. The installment financing arrangement matures on September 17, 2045.</p>  | 445,204  |
| <p>On October 15, 2015, the County entered into a \$90,565 installment purchase for the purchase of cardiac monitors. The installment purchase requires four annual payments of \$23,790, including interest at 2.01%. The installment purchase matures on October 15, 2019.</p>   | 68,595   |
| <p>On May 31, 2017, the County entered into a \$24,823 installment purchase for the purchase of a Chevrolet Express Cargo Van. The installment purchase requires three annual payments of \$8,826, including interest at 3.25%. The installment purchase matures on May 31, 2020. The County has elected instead to pay off this obligation in two annual payments of \$12,982, including interest at approximately 3.05%, with the expected maturity of May 31, 2019.</p>   | 24,823   |
| <p>On June 1, 2017, the County entered into a \$2,873,000 installment purchase for the acquisition, renovation and improvement of the Phillips &amp; Jordan Building located at 191 P&amp;J Road, Robbinsville, North Carolina. The installment purchase requires eight annual principal payments of \$192,000 followed by seven annual principal payments of \$191,000, including interest at 2.67% beginning on March 15, 2018. There will also be annual interest only payments beginning September 15, 2017 through September 15, 2031 at 2.67%. The installment purchase matures on March 15, 2032.</p> | <p style="text-align: right;">2,873,000</p> <hr style="width: 100%;"/> <p style="text-align: right;">\$ 4,824,074</p> <hr style="width: 100%;"/> |

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

| Year Ending June 30, | Governmental Activities |            |
|----------------------|-------------------------|------------|
|                      | Principal               | Interest   |
| 2018                 | 552,737                 | 102,642    |
| 2019                 | 461,104                 | 108,776    |
| 2020                 | 449,300                 | 96,297     |
| 2021                 | 426,327                 | 84,180     |
| 2022                 | 356,687                 | 72,519     |
| 2023-2027            | 1,283,041               | 272,134    |
| 2028-2032            | 1,023,513               | 133,308    |
| 2033-2037            | 81,864                  | 43,461     |
| 2038-2042            | 97,817                  | 27,508     |
| 2043-2045            | 91,684                  | 7,578      |
| Total                | \$ 4,824,074            | \$ 948,403 |

**c. General Obligation Indebtedness**

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

General obligation bonds:

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

\$ 1,571,000

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

| Year Ending June 30, | Governmental Activities |                   |
|----------------------|-------------------------|-------------------|
|                      | Principal               | Interest          |
| 2018                 | 258,000                 | 34,562            |
| 2019                 | 263,000                 | 28,886            |
| 2020                 | 269,000                 | 23,100            |
| 2021                 | 263,000                 | 17,182            |
| 2022                 | 262,000                 | 11,396            |
| Thereafter           | 256,000                 | 5,632             |
| Total                | <u>\$ 1,571,000</u>     | <u>\$ 120,758</u> |

**d. Long-Term Obligation Activity**

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2017:

|                                  | Beginning Balances  | Additions           | Retirements       | Ending Balances     | Due Within One Year |
|----------------------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| General obligation debt          | \$ 1,822,000        | \$ -                | \$ 251,000        | \$ 1,571,000        | \$ 258,000          |
| Capitalized leases               | 59,732              | -                   | 53,342            | 6,390               | 6,495               |
| Installment notes payable        | 2,301,343           | 2,897,823           | 375,092           | 4,824,074           | 552,737             |
| Compensated absences             | 290,288             | 316,410             | 262,016           | 344,682             | -                   |
| Net pension liability (LGMERS)   | 307,741             | 1,305,660           | -                 | 1,613,401           | -                   |
| Total pension liability (LEOSSA) | -                   | 54,874              | -                 | 54,874              | -                   |
| Total                            | <u>\$ 4,781,104</u> | <u>\$ 4,574,767</u> | <u>\$ 941,450</u> | <u>\$ 8,414,421</u> | <u>\$ 817,232</u>   |

No interest was capitalized during the year ended June 30, 2017; interest incurred and charged to expense totaled \$102,530.

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, 2017, Graham County had a legal debt margin of \$78,475,459.

Debt Related to Capital Activities - Of the total Governmental Activities debt listed only \$4,140,792 relates to assets the County holds title. Unspent restricted investments related to this debt amounts to \$2,873,620.

**C. Prior Period Adjustment**

During the fiscal year ended June 30, 2017, the County determined that certain transactions were recorded incorrectly in the prior year.

*General Fund Balance:* At July 1, 2016, the Graham County Board of Commissioners incorporated the remaining fund balances of the ARC Rural Center - Stanley Furniture Building Reuse Fund and the Low-income Housing Repair or Rehabilitation Grant Project Fund to the General Fund. The fund balances of \$946 and \$45,413, respectively were transferred into the General Fund, which increased the Fund Balance in the General Fund by the combined amount. It was also determined that the amount due from the Emergency Telephone Fund was understated at June 30, 2016 in the amount of \$1,130 due to the 911 Board allowing costs that had initially been considered ineligible. The combined adjustments increased fund balance by \$47,489.

|  |        |                     |
|--|--------|---------------------|
| General Fund Balance, beginning as previously reported                 |        | \$ 6,270,952        |
| Adjustment for Emergency Telephone System Fund                         | 1,130  |                     |
| ARC Rural Center - Stanley Furniture Building Reuse Fund Balance       | 946    |                     |
| Low-income Housing Repair or Rehabilitation Grant Project Fund Balance | 45,413 |                     |
| Net prior period adjustment  |        | 47,489              |
| General Fund Balance, beginning as restated                            |        | <u>\$ 6,318,441</u> |

*Emergency Telephone System Fund Balance:* The 911 Board allowed additional revenue and expenditures that they previously disallowed on the PSAP Revenue-Expenditure Report submitted for the period of July 1, 2015 through June 30, 2016. The net effect of the \$7,995 additional revenues and the \$1,130 additional expenditures resulted in an overall net increase to fund balance of \$6,865.

|   |         |                   |
|---|---------|-------------------|
| Emergency Telephone System Fund Balance, beginning as previously reported |         | \$ 484,292        |
| Additional revenues not reported in the prior fiscal year                 | 7,995   |                   |
| Eligible expenditures made in the prior fiscal year                       | (1,130) |                   |
| Net prior period adjustment   |         | 6,865             |
| Emergency Telephone System Fund Balance, beginning as restated            |         | <u>\$ 491,157</u> |

*Governmental Activities:* Due to the implementation of Governmental Accounting Standards Board (GASB) No. Statement 73, as described in Note X, net position for the governmental activities decreased \$45,225. The restatement to record the total pension liability and the aforementioned fund balance adjustment of \$7,995 in additional revenues approved by the 911 Board in the Emergency Telephone System Fund resulted in Net Position being overstated by \$37,230.

|  |          |                      |
|--|----------|----------------------|
| Net Position, beginning as previously reported                               |          | \$ 15,483,971        |
| Emergency Telephone System Fund Balance restatement for understated revenues | 7,995    |                      |
| Adjustment for the implementation of GASB 73                                 | (45,225) |                      |
| Net prior period adjustment/restatement                                      |          | (37,230)             |
| Net Position, beginning as restated  |          | <u>\$ 15,446,741</u> |

#### D. **Interfund Balances and Activity**

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

Due from the General Fund from:

|                          |                 |
|--------------------------|-----------------|
| Emergency Telephone Fund | \$ 5,216        |
| Total                    | <u>\$ 5,216</u> |

Due to the General Fund from:

|   |                   |
|---|-------------------|
| Phillips and Jordan Building Capital Project Fund               | \$ 185,548        |
| Graham County E911 Enhancement/Replacement Capital Project Fund | 310,310           |
| Total   | <u>\$ 495,858</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, 2017 consisted of the following:

|  |                  |
|--|------------------|
| From the General Fund to the Revaluation Fund to provide resources for the next property revaluation | \$ 50,000        |
| Total  | <u>\$ 50,000</u> |

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



**E. Net Investment in Capital Assets**

Net investment in capital assets at June 30, 2017, is computed as follows:

|   |                  |                             |
|---|------------------|-----------------------------|
| Capital assets, net of accumulated depreciation                       |                  | \$ 12,695,044               |
| Less capital debt:  |                  |                             |
| Gross debt (excluding compensated absences)                           | 6,401,464        |                             |
| Less:   |                  |                             |
| Unexpended debt proceeds  | 2,878,720        |                             |
| School debt related to assets to which the County does not hold title | 2,260,672        |                             |
| Total capital debt  | <u>1,262,072</u> |                             |
| Net investment in capital assets                                      |                  | <u><u>\$ 11,432,972</u></u> |

**F. Fund Balance**

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

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

|  |                     |
|--|---------------------|
| <b>Total Fund Balance - General Fund</b> | <b>\$ 7,758,134</b> |
| Less:                                    |                     |
| Register of deeds                        | 41,678              |
| Stabilization by state statute           | 1,112,772           |
| Human services                           | 45,957              |
| Law enforcement                          | 50,993              |
| Courts                                   | 6,996               |
| USDA reserve                             | 4,595               |
| Tax revaluation                          | 211,435             |
| Appropriated Fund Balance in 2018 budget | 176,098             |
| Working Capital/ Fund Balance Policy     | 1,189,812           |
| Remaining fund balance                   | <b>\$ 4,917,798</b> |

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.

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

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

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2017, the County reported these local option sales taxes within its General Fund. The County expended the restricted portion of these taxes to retire public school indebtedness.

**IV. Joint Ventures**

The County participates in a joint venture to operate the Nantahala Regional Library (Library) with six other local governments. The three participating counties may each appoint three board members to the nine-member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2017. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$70,000 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 \$6,170 to the Commission during the fiscal year ended June 30, 2017.

The County, in conjunction with seven other counties, established Vaya Health, formerly Smoky Mountain Mental Health Center. The participating governments established Vaya Health to provide mental health services to the western region of North Carolina. The County designates a commissioner they wish to serve on the County Commissioner Advisory Board of Vaya Health. The County Commissioner Advisory Board serves solely in an advisory capacity and does not have authority over budgeting, personnel matters, governance or policy making. The County contributed \$6,000 to Vaya Health during the fiscal year ended June 30, 2017.

**VI. Partnering Agreement**

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

**VII. Benefit Payments Issued by the State**

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

|   | <u>Federal</u>       | <u>State</u>        |
|---|----------------------|---------------------|
| Temporary Assistance for Needy Families | \$ 53,929            | \$ -                |
| Medicaid                                | 11,726,534           | 6,355,624           |
| Food Stamp Program                      | 168,458              | -                   |
| WIC                                     | 198,669              | -                   |
| SC/SA Domiciliary Care                  | -                    | 74,177              |
| Low Income Energy Assistance            | 38,000               | -                   |
| IV-E Foster Care Assistance             | 105,883              | 33,195              |
| IV-E Adopt Subsidy and Vendor           | 22,528               | 76,123              |
| State Foster Care                       | 14,164               | 1,070               |
|   | <u>\$ 12,328,165</u> | <u>\$ 6,540,189</u> |

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

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

**IX. Significant Effects of Subsequent Events**

The County has evaluated subsequent events and transactions through December 12, 2017, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

- A. Subsequent to year end, Graham County entered into a capital lease agreement with De Lage Landen Public Finance LLC for \$35,890 with interest at 5.8%. The purpose of this lease is for the acquisition of Cisco telephone equipment. Repayment will consist of four annual payments with the first payment of \$10,086 due September 1, 2017.

**X. Change in Accounting Principles/Restatement**

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for the governmental activities decreased \$45,225.

**XI. New Accounting Pronouncements*****Pronouncements effective for the 2017 Financial Statements:***

In June 2015, the GASB issued, GASB Statement No.73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees not within the scope of Statement 68. Requirements are also established for the assets accumulated for the purposes of providing pensions through defined benefit pension plans that are not administered through trusts that meet the criteria within the scope of Statement 67. The implementation of this pronouncement did require modification of the financial statements as described in Note X.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes financial reporting standards for Other Post-Employment Plans (OPEB) that is administered through trusts or equivalent arrangements which involve contributions from employers and nonemployer contributing entities to the OPEB plan. This pronouncement did not impact the County.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires state and local governments to disclose tax abatement agreements entered by other governments and that reduce the reporting government's tax revenues. The reduction in tax revenues can result from an agreement between one or more governments and an individual entity in which one or more governments promise to forgo tax revenues to which they are otherwise entitled. The individual or entity promises to take specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. This pronouncement did not impact the County.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*. This Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not for-profit corporation in which the primary government is the sole corporate member. This pronouncement did not impact the County.

***Pronouncements issued, but not yet effective, which will be adopted by the County in future years. As of the date of this report, the County has not determined the financial impact of implementing the following Statements:***

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions. This Statement establishes accounting and financial reporting standards for Other Post-Employment Plans (OPEB) that is administered through trusts or equivalent arrangements which involve contributions from employers and nonemployer contributing entities to the OPEB plan. This Statement is effective for financial statements with fiscal years beginning after June 15, 2017.

In March 2016, the GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. This Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Governments receiving resources pursuant to an irrevocable split-interest agreement is to recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

In March 2016, the GASB issued Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations and sets the guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In March 2017, the GASB issued Statement No. 85, Omnibus 2017. This Statement addresses issues related to blending component units, goodwill, fair value measurement and application, pensions, and other post-employment benefits (OPEB). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

## REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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### Local Governmental Employees' Retirement System

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

### Register of Deeds' Supplemental Pension Fund

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Registers of Deeds' Supplemental Pension Fund
- Schedule of Contributions to Registers of Deeds' Supplemental Pension Fund

### Law Enforcement Officers' Special Separation Allowance

- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

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

|   | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  |
|---|--------------|--------------|--------------|--------------|
| County's proportion of the net pension liability (asset) %  | 0.076%       | 0.069%       | 0.078%       | 0.083%       |
| County's proportionate share of the net pension liability (asset) \$  | \$ 1,613,401 | \$ 307,741   | \$ (461,771) | \$ 1,002,880 |
| County's covered-employee payroll   | \$ 4,021,910 | \$ 3,771,110 | \$ 3,994,140 | \$ 4,162,209 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 40.12%       | 8.16%        | ( 11.56%)    | 24.09%       |
| Plan fiduciary net position as a percentage of the total pension liability**                                      | 91.47%       | 98.09%       | 102.64%      | 94.35%       |

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

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

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

|  | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    | <u>2014</u>    |
|--|----------------|----------------|----------------|----------------|
| Contractually required contribution                                  | \$ 299,992     | \$ 410,849     | \$ 396,494     | \$ 418,574     |
| Contributions in relation to the contractually required contribution | <u>299,992</u> | <u>410,849</u> | <u>396,494</u> | <u>418,574</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| County's covered-employee payroll                                    | \$ 4,040,090   | \$ 4,021,910   | \$ 3,771,110   | \$ 3,994,140   |
| Contributions as a percentage of covered-employee payroll            | 7.43%          | 10.22%         | 10.51%         | 10.48%         |

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

|   | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|-------------|-------------|
| County's proportion of the net pension liability (asset) %  | 0.068%      | 0.631%      | 0.0672%     | 0.0669%     |
| County's proportionate share of the net pension liability (asset) \$  | \$ (12,778) | \$ (14,611) | \$ (15,236) | \$ (14,288) |
| County's covered-employee payroll   | \$ 36,886   | \$ 36,520   | \$ 35,520   | \$ 49,124   |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | (34.64%)    | (40.01%)    | (42.89%)    | (29.09%)    |
| Plan fiduciary net position as a percentage of the total pension liability  | 197.29%     | 197.29%     | 193.88%     | 190.50%     |

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



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

|  | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|
| Contractually required contribution                                  | \$ 600      | \$ 565      | \$ 556      | \$ 549      |
| Contributions in relation to the contractually required contribution | <u>600</u>  | <u>565</u>  | <u>556</u>  | <u>549</u>  |
| Contribution deficiency (excess)                                     | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| County's covered-employee payroll                                    | \$ 42,638   | \$ 36,886   | \$ 36,520   | \$ 35,520   |
| Contributions as a percentage of covered-employee payroll            | 1.41%       | 1.53%       | 1.52%       | 1.55%       |

**Graham County, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2017**

|  | <b>2017</b> |
|--|-------------|
| Beginning balance  | \$ 45,225   |
| Service cost   | 9,590       |
| Interest on the total pension liability  | 1,615       |
| Changes of benefit terms   | -           |
| Differences between expected and actual experience in the measurement of the total pension liability | -           |
| Changes of assumptions or other inputs   | (1,556)     |
| Benefit payments   | -           |
| Other changes  | -           |
| Ending balance of the total pension liability  | \$ 54,874   |

\* The amounts presented for each fiscal year were determined as of the prior December 31.

**Graham County, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2017**

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|  | <u>2017</u> |
|--|-------------|
| Total pension liability                                    | \$ 54,874   |
| Covered payroll  | 483,289     |
| Total pension liability as a percentage of covered payroll | 11.35%      |

Notes to the schedules:

Graham County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

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Combining and Individual Fund  
Statements and Schedules

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## MAJOR GOVERNMENTAL FUNDS

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The County has the following major governmental funds:

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

### *Capital Project Funds:*

- **Graham County Park Capital Project Fund** - This fund accounts for the construction of the PARTF Recreation Park located at the former Stanley Furniture Company facility funded by a grant from the Parks and Recreation Trust Fund. For the fiscal year ended June 30, 2017, the fund had no financial transactions to report.
- **Graham County E 911 Enhancement/Replacement Capital Project Fund** - This fund accounts for the construction of a new 911 center to replace the existing primary PSAP center. This project will also serve to enhance current equipment and software necessary for the 911 center operations. The project is funded by a grant from North Carolina 911 Board.
- **Phillips and Jordan Building Capital Project Fund** - This fund accounts for the acquisition, renovation and improvement of the Phillips & Jordan Building located at 191 P&J Road, Robbinsville, North Carolina. This project is financed by loan proceeds.

**Graham County, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**

|                                 | <u>Budget</u>       | <u>Actual</u>     | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---------------------------------|---------------------|-------------------|---|
| <b>REVENUES</b>                 |                     |                   |   |
| Ad valorem taxes:               |                     |                   |   |
| Current year taxes              |                     | \$ 6,000,948      |   |
| Prior year taxes                |                     | 188,973           |   |
| Penalties and interest          |                     | 68,440            |   |
| Total                           | <u>\$ 6,187,543</u> | <u>6,258,361</u>  | <u>\$ 70,818</u>                            |
| Local option sales taxes:       |                     |                   |   |
| Local option sales tax          |                     | 1,905,638         |   |
| Total                           | <u>1,704,625</u>    | <u>1,905,638</u>  | <u>201,013</u>                              |
| Other taxes and licenses:       |                     |                   |   |
| Register of deeds - excise tax  |                     | 50,559            |   |
| Local occupancy tax             |                     | 454,259           |   |
| Cable franchise fees            |                     | 4,132             |   |
| Total                           | <u>434,100</u>      | <u>508,950</u>    | <u>74,850</u>                               |
| Unrestricted intergovernmental: |                     |                   |   |
| Payments in lieu of taxes       |                     | 976,744           |   |
| Total                           | <u>1,051,500</u>    | <u>976,744</u>    | <u>(74,756)</u>                             |
| Restricted intergovernmental:   |                     |                   |   |
| State grants                    |                     | 2,767,484         |   |
| Federal grants                  |                     | 689,237           |   |
| Local grants                    |                     | 24,530            |   |
| Court facility fees             |                     | 640               |   |
| Scrap tire disposal fee         |                     | 9,083             |   |
| Solid waste disposal tax        |                     | 6,748             |   |
| Controlled substance tax        |                     | 3,039             |   |
| White goods disposal fee        |                     | 3,324             |   |
| Total                           | <u>4,065,209</u>    | <u>3,504,085</u>  | <u>(561,124)</u>                            |
| Other restricted revenues:      |                     |                   |   |
| Private grants & contributions  |                     | 49,224            |   |
| Total                           | <u>79,500</u>       | <u>49,224</u>     | <u>(30,276)</u>                             |
| Permits and fees:               |                     |                   |   |
| Building permits                |                     | 47,909            |   |
| Register of deeds               |                     | 69,795            |   |
| Health department well permits  |                     | 16,050            |   |
| Total                           | <u>125,000</u>      | <u>133,754</u>    | <u>8,754</u>                                |
| Sales and services:             |                     |                   |   |
| Rents, concessions, and fees    |                     | 1,108,995         |   |
| Jail fees                       |                     | 12,524            |   |
| Ambulance fees                  |                     | 755,516           |   |
| Home health                     |                     | 37,522            |   |
| Tipping fees                    |                     | 60,675            |   |
| Sanitation fees                 |                     | 142               |   |
| Recycling revenue               |                     | 5,338             |   |
| Sheriff fees                    |                     | 34,232            |   |
| Total                           | <u>1,750,934</u>    | <u>2,014,944</u>  | <u>264,010</u>                              |
| Investment earnings:            | <u>6,545</u>        | <u>7,596</u>      | <u>1,051</u>                                |
| Miscellaneous:                  | <u>107,061</u>      | <u>86,613</u>     | <u>(20,448)</u>                             |
| Total revenues                  | <u>15,512,017</u>   | <u>15,445,909</u> | <u>(66,108)</u>                             |

**Graham County, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**

|                                | <u>Budget</u>  | <u>Actual</u>  | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--------------------------------|----------------|----------------|---|
| <b>EXPENDITURES</b>            |                |                |   |
| General government:            |                |                |   |
| Governing body:                |                |                |   |
| Salaries and employee benefits |                | 130,077        |   |
| Operating expenditures         |                | 181,461        |   |
| Contracted services            |                | 57,116         |   |
| Miscellaneous contributions    |                | 6,170          |   |
| Capital outlay                 |                | 144,703        |   |
| Contingency fund               |                | (3,977)        |   |
| Debt service:                  |                |                |   |
| Principal retirement           |                | 72,510         |   |
| Interest and other charges     |                | 3,499          |   |
| Total                          | <u>615,564</u> | <u>591,559</u> | <u>24,005</u>                               |
| Administration:                |                |                |   |
| Salaries and employee benefits |                | 88,444         |   |
| Operating expenditures         |                | 99,648         |   |
| Insurance - general            |                | 310,117        |   |
| Contracted services            |                | 3,800          |   |
| Total                          | <u>521,191</u> | <u>502,009</u> | <u>19,182</u>                               |
| Board of elections:            |                |                |   |
| Salaries and employee benefits |                | 102,428        |   |
| Operating expenditures         |                | 28,014         |   |
| Total                          | <u>163,500</u> | <u>130,442</u> | <u>33,058</u>                               |
| Finance:                       |                |                |   |
| Salaries and employee benefits |                | 164,872        |   |
| Operating expenditures         |                | 14,416         |   |
| Contracted services            |                | 54,530         |   |
| Total                          | <u>249,509</u> | <u>233,818</u> | <u>15,691</u>                               |
| Tax assessor:                  |                |                |   |
| Salaries and employee benefits |                | 94,760         |   |
| Operating expenditures         |                | 6,794          |   |
| Contracted services            |                | 30,776         |   |
| Total                          | <u>143,862</u> | <u>132,330</u> | <u>11,532</u>                               |
| Tax collector:                 |                |                |   |
| Salaries and employee benefits |                | 77,765         |   |
| Operating expenditures         |                | 21,418         |   |
| Total                          | <u>106,872</u> | <u>99,183</u>  | <u>7,689</u>                                |
| Tax mapping:                   |                |                |   |
| Salaries and employee benefits |                | 34,894         |   |
| Operating expenditures         |                | 1,580          |   |
| Contracted services            |                | 24,242         |   |
| Total                          | <u>90,500</u>  | <u>60,716</u>  | <u>29,784</u>                               |
| Register of deeds:             |                |                |   |
| Salaries and employee benefits |                | 96,009         |   |
| Operating expenditures         |                | 57,488         |   |
| Contracted services            |                | 79,940         |   |
| Total                          | <u>238,832</u> | <u>233,437</u> | <u>5,395</u>                                |

**Graham County, North Carolina**

**General Fund**

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

**For the Fiscal Year Ended June 30, 2017**

|                                | <u>Budget</u>    | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--------------------------------|------------------|------------------|---|
| Public buildings:              |                  |                  |   |
| Salaries and employee benefits |                  | 121,741          |   |
| Operating expenditures         |                  | 129,028          |   |
| Capital outlay                 |                  | 73,111           |   |
| Contracted services            |                  | 23,465           |   |
| Debt service:                  |                  |                  |   |
| Principal retirement           |                  | 93,333           |   |
| Interest and other charges     |                  | 21,609           |   |
| Total                          | <u>469,779</u>   | <u>462,287</u>   | <u>7,492</u>                                |
| Vehicle maintenance:           |                  |                  |   |
| Salaries and employee benefits |                  | 38,766           |   |
| Operating expenditures         |                  | 10,116           |   |
| Contracted services            |                  | 687              |   |
| Total                          | <u>51,950</u>    | <u>49,569</u>    | <u>2,381</u>                                |
| Computer support:              |                  |                  |   |
| Salaries and employee benefits |                  | 22,239           |   |
| Operating expenditures         |                  | 23,100           |   |
| Capital outlay                 |                  | 38,354           |   |
| Contracted services            |                  | 105,931          |   |
| Total                          | <u>197,857</u>   | <u>189,624</u>   | <u>8,233</u>                                |
| Grounds maintenance:           |                  |                  |   |
| Salaries and employee benefits |                  | 78,510           |   |
| Operating expenditures         |                  | 74,504           |   |
| Capital outlay                 |                  | 29,979           |   |
| Contracted services            |                  | 116              |   |
| Total                          | <u>208,963</u>   | <u>183,109</u>   | <u>25,854</u>                               |
| Cemetery:                      |                  |                  |   |
| Salaries and employee benefits |                  | 162,020          |   |
| Operating expenditures         |                  | 18,019           |   |
| Capital outlay                 |                  | 2,027            |   |
| Total                          | <u>205,151</u>   | <u>182,066</u>   | <u>23,085</u>                               |
| Total general government       | <u>3,263,530</u> | <u>3,050,149</u> | <u>213,381</u>                              |
| Public safety:                 |                  |                  |   |
| Sheriff department:            |                  |                  |   |
| Salaries and employee benefits |                  | 932,570          |   |
| Operating expenditures         |                  | 160,671          |   |
| Contracted services            |                  | 16,849           |   |
| Capital outlay                 |                  | 10,494           |   |
| Debt service:                  |                  |                  |   |
| Principal retirement           |                  | 36,635           |   |
| Interest and other charges     |                  | 1,495            |   |
| Total                          | <u>1,366,000</u> | <u>1,158,714</u> | <u>207,286</u>                              |
| Jail:                          |                  |                  |   |
| Salaries and employee benefits |                  | 396,803          |   |
| Operating expenditures         |                  | 226,568          |   |
| Contracted services            |                  | 104,351          |   |
| Total                          | <u>875,000</u>   | <u>727,722</u>   | <u>147,278</u>                              |



**Graham County, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**

|                                   | <u>Budget</u>    | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|-----------------------------------|------------------|------------------|---|
| Ambulance service:                |                  |                  |   |
| Salaries and employee benefits    |                  | 777,052          |   |
| Operating expenditures            |                  | 106,636          |   |
| Capital outlay                    |                  | 231,105          |   |
| Debt service:                     |                  |                  |   |
| Principal retirement              |                  | 51,141           |   |
| Interest and other charges        |                  | 2,339            |   |
| Total                             | <u>1,175,753</u> | <u>1,168,273</u> | <u>7,480</u>                                |
| District court:                   |                  |                  |   |
| Operating expenditures            |                  | 5,476            |   |
| Total                             | <u>9,450</u>     | <u>5,476</u>     | <u>3,974</u>                                |
| Civil preparedness:               |                  |                  |   |
| Salaries and employee benefits    |                  | 66,882           |   |
| Operating expenditures            |                  | 10,173           |   |
| Debt service:                     |                  |                  |   |
| Principal retirement              |                  | 46,667           |   |
| Interest and other charges        |                  | 10,805           |   |
| Total                             | <u>145,276</u>   | <u>134,527</u>   | <u>10,749</u>                               |
| Communications:                   |                  |                  |   |
| Salaries and employee benefits    |                  | 326,744          |   |
| Operating expenditures            |                  | 5,443            |   |
| Contracted services               |                  | (3,711)          |   |
| Total                             | <u>359,912</u>   | <u>328,476</u>   | <u>31,436</u>                               |
| Sanitary landfill:                |                  |                  |   |
| Salaries and employee benefits    |                  | 252,192          |   |
| Operating expenditures            |                  | 193,098          |   |
| Capital outlay                    |                  | 34,947           |   |
| Tipping fees                      |                  | 178,017          |   |
| Debt service:                     |                  |                  |   |
| Principal retirement              |                  | 43,755           |   |
| Interest and other charges        |                  | 17,675           |   |
| Total                             | <u>727,957</u>   | <u>719,684</u>   | <u>8,273</u>                                |
| EMS billing:                      |                  |                  |   |
| Operating expenditures            |                  | 167              |   |
| Contracted services               |                  | 24,716           |   |
| Total                             | <u>58,099</u>    | <u>24,883</u>    | <u>33,216</u>                               |
| EBCI fuel (reimbursed expense)    | <u>20,000</u>    | <u>16,984</u>    | <u>3,016</u>                                |
| Contribution to NC Forest Service | <u>75,489</u>    | <u>63,590</u>    | <u>11,899</u>                               |
| Contributions to rescue and fire  | <u>139,250</u>   | <u>138,471</u>   | <u>779</u>                                  |
| Total public safety               | <u>4,952,186</u> | <u>4,486,800</u> | <u>465,386</u>                              |
| Economic development:             |                  |                  |   |
| County planner:                   |                  |                  |   |
| Salaries and employee benefits    |                  | 62,876           |   |
| Operating expenditures            |                  | 30,175           |   |
| Total                             | <u>99,653</u>    | <u>93,051</u>    | <u>6,602</u>                                |

**Graham County, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**

|                                | <u>Budget</u>  | <u>Actual</u>  | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--------------------------------|----------------|----------------|---|
| Building inspector:            |                |                |   |
| Salaries and employee benefits |                | 154,961        |   |
| Operating expenditures         |                | 13,981         |   |
| Total                          | <u>182,511</u> | <u>168,942</u> | <u>13,569</u>                               |
| Total economic development     | <u>282,164</u> | <u>261,993</u> | <u>20,171</u>                               |
| Human services:                |                |                |   |
| Health department:             |                |                |   |
| Communicable diseases:         |                |                |   |
| Salaries and employee benefits |                | 16,962         |   |
| Operating expenditures         |                | 1,745          |   |
| Total                          |                | <u>18,707</u>  |   |
| Child health:                  |                |                |   |
| Salaries and employee benefits |                | 68,480         |   |
| Operating expenditures         |                | 14,373         |   |
| Total                          |                | <u>82,853</u>  |   |
| Maternal health:               |                |                |   |
| Salaries and employee benefits |                | 11,497         |   |
| Total                          |                | <u>11,497</u>  |   |
| Pcm/Ob care management:        |                |                |   |
| Salaries and employee benefits |                | 26,987         |   |
| Operating expenditures         |                | 994            |   |
| Total                          |                | <u>27,981</u>  |   |
| Hill Top health care clinic:   |                |                |   |
| Salaries and employee benefits |                | 20,393         |   |
| Operating expenses             |                | 1,022          |   |
| Total                          |                | <u>21,415</u>  |   |
| TB:                            |                |                |   |
| Salaries and employee benefits |                | 2,936          |   |
| Operating expenditures         |                | 158            |   |
| Total                          |                | <u>3,094</u>   |   |
| Family planning:               |                |                |   |
| Salaries and employee benefits |                | 51,388         |   |
| Operating expenditures         |                | 15,889         |   |
| Total                          |                | <u>67,277</u>  |   |
| Healthy communities:           |                |                |   |
| Salaries and employee benefits |                | 38,850         |   |
| Operating expenditures         |                | 4,461          |   |
| Total                          |                | <u>43,311</u>  |   |
| Environmental health:          |                |                |   |
| Salaries and employee benefits |                | 54,724         |   |
| Operating expenditures         |                | 13,805         |   |
| Capital outlay                 |                | 7,338          |   |
| Total                          |                | <u>75,867</u>  |   |

**Graham County, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**

|                                     | <u>Budget</u> | <u>Actual</u>  | <u>Variance<br/>Positive<br/>(Negative)</u> |
|-------------------------------------|---------------|----------------|---|
| HIV/STD:                            |               |                |   |
| Salaries and employee benefits      |               | 1,868          |   |
| Operating expenditures              |               | 667            |   |
| Total                               |               | <u>2,535</u>   |   |
| Breast cervical cancer prevention:  |               |                |   |
| Salaries and employee benefits      |               | 13,511         |   |
| Operating expenses                  |               | 6,125          |   |
| Total                               |               | <u>19,636</u>  |   |
| Dental:                             |               |                |   |
| Salaries and employee benefits      |               | 285,266        |   |
| Operating expenses                  |               | 57,215         |   |
| Capital outlay                      |               | 2,391          |   |
| Total                               |               | <u>344,872</u> |   |
| Child service coordination:         |               |                |   |
| Salaries and employee benefits      |               | 16,833         |   |
| Operating expenses                  |               | 371            |   |
| Total                               |               | <u>17,204</u>  |   |
| General health:                     |               |                |   |
| Salaries and employee benefits      |               | 72,653         |   |
| Operating expenses                  |               | 40,017         |   |
| Contracted services                 |               | 11,755         |   |
| Total                               |               | <u>124,425</u> |   |
| Immunization action plan IAP5.278:  |               |                |   |
| Salaries and employee benefits      |               | 8,663          |   |
| Operating expenses                  |               | 488            |   |
| Total                               |               | <u>9,151</u>   |   |
| Smart Start:                        |               |                |   |
| Salaries and employee benefits      |               | 26,099         |   |
| Operating expenses                  |               | 287            |   |
| Total                               |               | <u>26,386</u>  |   |
| WIC:                                |               |                |   |
| Salaries and employee benefits      |               | 61,915         |   |
| Total                               |               | <u>61,915</u>  |   |
| Health department food and lodging: |               |                |   |
| Salaries and employee benefits      |               | 8,000          |   |
| Operating expenses                  |               | 1,544          |   |
| Total                               |               | <u>9,544</u>   |   |
| Adult health:                       |               |                |   |
| Salaries and employee benefits      |               | 75,304         |   |
| Operating expenses                  |               | 102,323        |   |
| Total                               |               | <u>177,627</u> |   |
| Bioterrorism Grant:                 |               |                |   |
| Salaries and employee benefits      |               | 32,706         |   |
| Operating expenses                  |               | 4,116          |   |
| Total                               |               | <u>36,822</u>  |   |

**Graham County, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**

|                                      | <u>Budget</u>    | <u>Actual</u>    | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--------------------------------------|------------------|------------------|---|
| CAP:                                 |                  |                  |   |
| Salaries and employee benefits       |                  | 111,331          |   |
| Operating expenses                   |                  | 17,564           |   |
| Contracted services                  |                  | 5,310            |   |
| Total                                |                  | <u>134,205</u>   |   |
| TPPI:                                |                  |                  |   |
| Salaries and employee benefits       |                  | 27,773           |   |
| Operating expenses                   |                  | 106,839          |   |
| Total                                |                  | <u>134,612</u>   |   |
| Ebola:                               |                  |                  |   |
| Salaries and employee benefits       |                  | 10,316           |   |
| Operating expenses                   |                  | 137              |   |
| Total                                |                  | <u>10,453</u>    |   |
| Total Health Department              | <u>1,553,302</u> | <u>1,461,389</u> | <u>91,913</u>                               |
| Veterans service officer:            |                  |                  |   |
| Salaries and employee benefits       |                  | 3,986            |   |
| Operating expenses                   |                  | 14               |   |
| Total veterans service officer       | <u>4,000</u>     | <u>4,000</u>     | <u>-</u>                                    |
| Social services:                     |                  |                  |   |
| Administration:                      |                  |                  |   |
| Salaries and employee benefits       |                  | 1,023,114        |   |
| Capital outlay                       |                  | 5,230            |   |
| Operating expenses                   |                  | 279,605          |   |
| Total                                | <u>1,635,385</u> | <u>1,307,949</u> | <u>327,436</u>                              |
| Social service public assistance:    |                  |                  |   |
| Medical assistance                   |                  | 30               |   |
| Work first                           |                  | 446,523          |   |
| Foster care                          |                  | 180,501          |   |
| Special assistance                   |                  | 72,103           |   |
| Crisis intervention                  |                  | 103,186          |   |
| Foster care - clothing               |                  | 3,450            |   |
| Total                                | <u>947,863</u>   | <u>805,793</u>   | <u>142,070</u>                              |
| Total social services                | <u>2,583,248</u> | <u>2,113,742</u> | <u>469,506</u>                              |
| Senior citizens program:             |                  |                  |   |
| Administration:                      |                  |                  |   |
| Salaries and employee benefits       |                  | 152,315          |   |
| Operating expenses                   |                  | 120,605          |   |
| Capital outlay                       |                  | 30,323           |   |
| Contracted services                  |                  | 27,177           |   |
| Total senior citizens program        | <u>362,088</u>   | <u>330,420</u>   | <u>31,668</u>                               |
| Transit:                             |                  |                  |   |
| DOT transportation development grant |                  |                  |   |
| Grant administrative expenditures:   |                  |                  |   |
| Salaries and employee benefits       |                  | 116,421          |   |
| Operating expenditures               |                  | 18,256           |   |
| Grant operating expenditures:        |                  |                  |   |
| Salaries and employee benefits       |                  | 308,452          |   |
| Operating expenditures               |                  | 55,334           |   |
| Capital outlay                       |                  | 314,354          |   |
| Total transit                        | <u>937,621</u>   | <u>812,817</u>   | <u>124,804</u>                              |
| Total human services                 | <u>5,440,259</u> | <u>4,722,368</u> | <u>717,891</u>                              |

**Graham County, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**

|   | <u>Budget</u> | <u>Actual</u> | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---|---------------|---------------|---|
| Cultural and recreational:              |               |               |   |
| 4-H:                                    |               |               |   |
| Operating expenditures                  |               | 9,531         |   |
| Total                                   | 20,000        | 9,531         | 10,469                                      |
| Extension:                              |               |               |   |
| Salaries and employee benefits          |               | 75,283        |   |
| Operating expenditures                  |               | 8,814         |   |
| Total                                   | 85,937        | 84,097        | 1,840                                       |
| Soil and water:                         |               |               |   |
| Salaries and employee benefits          |               | 59,394        |   |
| Operating expenditures                  |               | 5,330         |   |
| Capital outlay                          |               | 5,498         |   |
| Total                                   | 76,502        | 70,222        | 6,280                                       |
| Recreation:                             |               |               |   |
| Salaries and employee benefits          |               | 83,094        |   |
| Operating expenditures                  |               | 38,764        |   |
| Contracted services                     |               | 14,714        |   |
| Total                                   | 169,894       | 136,572       | 33,322                                      |
| Swimming pool:                          |               |               |   |
| Salaries and employee benefits          |               | 21,599        |   |
| Operating expenditures                  |               | 12,719        |   |
| Contracted services                     |               | 749           |   |
| Total                                   | 42,554        | 35,067        | 7,487                                       |
| Contributions to regional library       | 70,000        | 70,000        | -   |
| Total cultural and recreation           | 464,887       | 405,489       | 59,398                                      |
| Special appropriations:                 |               |               |   |
| Education:                              |               |               |   |
| Public schools - current                | 570,000       | 570,000       | -   |
| Public schools - capital outlay         | 19,000        | 19,000        | -   |
| Public schools - SRS USFS Timber        | 43,169        | 43,169        | -   |
| Debt service:                           |               |               |   |
| School Bond - capital outlay            | 251,000       | 251,000       | -   |
| School Bond - capital outlay - interest | 40,084        | 40,084        | -   |
| QZAB debt - capital outlay              | 84,394        | 84,394        | -   |
| Total education                         | 1,007,647     | 1,007,647     | -   |
| Special appropriations :                |               |               |   |
| Contributions:                          |               |               |   |
| Tri-County Community College            | 124,875       | 124,875       | -   |
| JCPC                                    | 65,063        | 63,953        | 1,110                                       |
| Regional mental health                  | 6,000         | 6,000         | -   |
| State of Franklin                       | 4,000         | 4,000         | -   |
| Other special appropriations            | 59,200        | 59,200        | -   |
| Total special appropriations            | 1,266,785     | 1,265,675     | 1,110                                       |
| Total expenditures                      | 15,669,811    | 14,192,474    | 1,477,337                                   |
| Revenues over expenditures              | (157,794)     | 1,253,435     | 1,411,229                                   |

**Graham County, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**

|  | <u>Budget</u>   | <u>Actual</u>       | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|-----------------|---------------------|---|
| <b>OTHER FINANCING SOURCES (USES)</b>          |                 |                     |   |
| Transfers to other funds:                      |                 |                     |   |
| Revaluation Fund                               | (50,000)        | (50,000)            | -   |
| Proceeds from long term debt issued            | 23,000          | 24,823              | 1,823                                       |
| Total other financing sources (uses)           | <u>(27,000)</u> | <u>(25,177)</u>     | <u>1,823</u>                                |
| Appropriated fund balance                      | <u>184,794</u>  | <u>-</u>            | <u>184,794</u>                              |
| Net change in fund balance                     | <u>\$ -</u>     | <u>1,228,258</u>    | <u>\$ 1,228,258</u>                         |
| Fund balance, beginning as previously reported |                 | 6,270,952           |   |
| Prior period adjustment                        |                 | 47,489              |   |
| Fund balance, beginning                        |                 | <u>6,318,441</u>    |   |
| Fund balance, ending                           |                 | <u>\$ 7,546,699</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, 2017**

|  | <u>Budget</u> | <u>Actual</u>     | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|---------------|-------------------|---|
| <b>REVENUES</b>  |               |                   |   |
| Investment earnings  | \$ -          | \$ 164            | \$ 164                                      |
| <b>EXPENDITURES</b>  |               |                   |   |
| General government:  |               |                   |   |
| Contracted services  |               | 5,142             |   |
| Total expenditures   | 50,000        | 5,142             | 44,858                                      |
| Revenues over (under) expenditures   | (50,000)      | (4,978)           | 45,022                                      |
| <b>OTHER FINANCING SOURCES (USES)</b>  |               |                   |   |
| Transfer in:   |               |                   |   |
| General fund   | 50,000        | 50,000            | -   |
| Appropriated fund balance  | -             | -                 | -   |
| Revenues, other sources, and appropriated fund balance over (under) expenditures | <u>\$ -</u>   | 45,022            | <u>\$ 45,022</u>                            |
| Fund balance, beginning  |               | <u>166,413</u>    |   |
| Fund balance, ending   |               | <u>\$ 211,435</u> |   |

**Graham County, North Carolina**  
**Graham County E911 Enhancement/Replacement Capital Project Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2017**

|   | Project<br>Authorization | Actual        |                 | Total<br>to<br>Date | Variance<br>Positive<br>(Negative) |
|---|--------------------------|---------------|-----------------|---------------------|------------------------------------|
|   |                          | Prior<br>Year | Current<br>Year |                     |                                    |
| <b>REVENUES</b>   |                          |               |                 |                     |                                    |
| Restricted intergovernmental:                           |                          |               |                 |                     |                                    |
| North Carolina 911 Board                                | \$ 3,401,528             | \$ 65,776     | 433,205         | \$ 498,981          | \$ (2,902,547)                     |
| Total revenues  | <u>3,401,528</u>         | <u>65,776</u> | <u>433,205</u>  | <u>498,981</u>      | <u>(2,902,547)</u>                 |
| <b>EXPENDITURES</b>                                     |                          |               |                 |                     |                                    |
| Capital outlay:   |                          |               |                 |                     |                                    |
| Public Safety:  |                          |               |                 |                     |                                    |
| Construction  | 1,594,541                | 23,000        | 355,778         | 378,778             | 1,215,763                          |
| Technology  | <u>1,806,987</u>         | <u>42,776</u> | <u>77,427</u>   | <u>120,203</u>      | <u>1,686,784</u>                   |
| Total expenditures                                      | <u>3,401,528</u>         | <u>65,776</u> | <u>433,205</u>  | <u>498,981</u>      | <u>2,902,547</u>                   |
| Revenues over (under) expenditures                      | <u>-</u>                 | <u>-</u>      | <u>-</u>        | <u>-</u>            | <u>-</u>                           |
| <b>OTHER FINANCING SOURCES (USES)</b>                   |                          |               |                 |                     |                                    |
| Transfer in:  |                          |               |                 |                     |                                    |
| General fund  |                          |               |                 | -                   | -                                  |
| Total other financing sources (uses)                    | <u>-</u>                 | <u>-</u>      | <u>-</u>        | <u>-</u>            | <u>-</u>                           |
| Revenues and other sources<br>over (under) expenditures | <u>\$ -</u>              | <u>\$ -</u>   | <u>-</u>        | <u>\$ -</u>         | <u>\$ -</u>                        |
| Fund balance, beginning                                 |                          |               | <u>-</u>        |                     |                                    |
| Fund balance, ending                                    |                          |               | <u>\$ -</u>     |                     |                                    |



**Graham County, North Carolina**  
**Phillips and Jordan Building Capital Project Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2017**

|   |                          |               | Actual          |                     | Variance<br>Positive<br>(Negative) |
|---|--------------------------|---------------|-----------------|---------------------|------------------------------------|
|   | Project<br>Authorization | Prior<br>Year | Current<br>Year | Total<br>to<br>Date |                                    |
| <b>REVENUES</b>   |                          |               |                 |                     |                                    |
| Restricted intergovernmental:                           |                          |               |                 |                     |                                    |
| Investment earnings                                     | \$ -                     | \$ -          | 620             | \$ 620              | \$ 620                             |
| Total revenues  | -                        | -             | 620             | 620                 | 620                                |
| <b>EXPENDITURES</b>                                     |                          |               |                 |                     |                                    |
| Capital outlay:   |                          |               |                 |                     |                                    |
| General government:                                     |                          |               |                 |                     |                                    |
| Engineering and construction                            | 2,500,000                | -             | 185,548         | 185,548             | 2,314,452                          |
| Total expenditures                                      | 2,500,000                | -             | 185,548         | 185,548             | 2,314,452                          |
| Revenues over (under) expenditures                      | (2,500,000)              | -             | (184,928)       | (184,928)           | 2,315,072                          |
| <b>OTHER FINANCING SOURCES (USES)</b>                   |                          |               |                 |                     |                                    |
| Installment purchase proceeds                           | 2,500,000                | -             | 2,873,000       | 2,873,000           | 373,000                            |
| Total other financing sources (uses)                    | 2,500,000                | -             | 2,873,000       | 2,873,000           | 373,000                            |
| Revenues and other sources<br>over (under) expenditures | \$ -                     | \$ -          | 2,688,072       | \$ 2,688,072        | \$ 2,688,072                       |
| Fund balance, beginning                                 |                          |               | -               |                     |                                    |
| Fund balance, ending                                    |                          |               | \$ 2,688,072    |                     |                                    |

## COMBINING STATEMENTS FOR NON-MAJOR GOVERNMENTAL FUNDS

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The County has three non-major governmental funds.

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### *Special Revenue Funds:*

- **Emergency Telephone Special Revenue Fund** - This fund accounts for the accumulation of funds used to operate the 911 emergency service operation.
- **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**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2017**

|   | <u>Special Revenue Funds</u>                    |                                  |   |
|---|---|----------------------------------|---|
|   | <u>Emergency Telephone Special Revenue Fund</u> | <u>Economic Development Fund</u> | <u>Total Non-Major Governmental Funds</u> |
| <b>ASSETS</b>   |   |                                  |   |
| Restricted cash and cash equivalents                                | \$ 497,694                                      | \$ 824,011                       | \$ 1,321,705                              |
| Accounts receivable, net  | 14,533  | -                                | 14,533                                    |
| Due from other governments  | 326   | -                                | 326                                       |
| Due from other funds  | 5,216   | -                                | 5,216                                     |
|   | <hr/>   |                                  |   |
| Total assets  | \$ 517,769                                      | \$ 824,011                       | \$ 1,341,780                              |
| <hr/>   |   |                                  |   |
| <b>LIABILITIES AND FUND BALANCES</b>                                |   |                                  |   |
| Liabilities:  |   |                                  |   |
| Accounts payable and accrued liabilities                            | \$ 3,976  | \$ -                             | \$ 3,976                                  |
|   | <hr/>   |                                  |   |
| Total liabilities   | 3,976   | -                                | 3,976                                     |
| <hr/>   |   |                                  |   |
| Fund balances:  |   |                                  |   |
| Restricted:   |   |                                  |   |
| Stabilization by state statute                                      | 20,075  | -                                | 20,075                                    |
| Public safety   | 493,718   | -                                | 493,718                                   |
| Economic and physical development                                   | -   | 824,011                          | 824,011                                   |
| Unassigned  | -   | -                                | -   |
|   | <hr/>   |                                  |   |
| Total fund balances   | 513,793   | 824,011                          | 1,337,804                                 |
|   | <hr/>   |                                  |   |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 517,769                                      | \$ 824,011                       | \$ 1,341,780                              |
|   | <hr/>   |                                  |   |

**Graham County, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2017**

|   | <u>Special Revenue Funds</u>                   |                                 |   |
|---|--|---------------------------------|---|
|   | Emergency<br>Telephone Special<br>Revenue Fund | Economic<br>Development<br>Fund | Total<br>Non-Major<br>Governmental<br>Funds |
| <b>REVENUES</b>                                   |  |                                 |   |
| Restricted intergovernmental revenues             | \$ 78,456                                      | \$ -                            | \$ 78,456                                   |
| Investment earnings                               | 457  | 824                             | 1,281                                       |
| Miscellaneous                                     | -  | -                               | -   |
| Total revenues                                    | <u>78,913</u>                                  | <u>824</u>                      | <u>79,737</u>                               |
| <b>EXPENDITURES</b>                               |  |                                 |   |
| Current:  |  |                                 |   |
| Public safety                                     | 56,277   | -                               | 56,277                                      |
| Economic and physical development                 | -  | -                               | -   |
| Total expenditures                                | <u>56,277</u>                                  | <u>-</u>                        | <u>56,277</u>                               |
| Excess (deficiency) of revenues over expenditures | <u>22,636</u>                                  | <u>824</u>                      | <u>23,460</u>                               |
| Net change in fund balances                       | 22,636   | 824                             | 23,460                                      |
| Fund balances, beginning as previously reported   | 484,292  | 823,187                         | 1,307,479                                   |
| Prior period adjustment                           | 6,865  | -                               | 6,865                                       |
| Fund balances, beginning as restated              | <u>491,157</u>                                 | <u>823,187</u>                  | <u>1,314,344</u>                            |
| Fund balances, ending                             | <u>\$ 513,793</u>                              | <u>\$ 824,011</u>               | <u>\$ 1,337,804</u>                         |

**Graham County, North Carolina**  
**Emergency Telephone System Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**

|  | <u>Budget</u>      | <u>Actual</u>            | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|--------------------|--------------------------|---|
| <b>REVENUES</b>                                |                    |                          |   |
| Restricted intergovernmental                   |                    | \$ 78,456                |   |
| Investment earnings                            |                    | 457                      |   |
| Total revenues                                 | <u>\$ 79,543</u>   | <u>78,913</u>            | <u>\$ (630)</u>                             |
| <b>EXPENDITURES</b>                            |                    |                          |   |
| Public safety                                  | <u>120,000</u>     | <u>56,277</u>            | <u>63,723</u>                               |
| Total expenditures                             | <u>120,000</u>     | <u>56,277</u>            | <u>63,723</u>                               |
| Revenues over (under) expenditures             | (40,457)           | 22,636                   | 63,093                                      |
| Appropriated fund balance                      | <u>40,457</u>      | <u>-</u>                 | <u>(40,457)</u>                             |
| Net change in fund balance                     | <u><u>\$ -</u></u> | <u>22,636</u>            | <u><u>\$ 22,636</u></u>                     |
| Fund balance, beginning as previously reported |                    | 484,292                  |   |
| Prior period adjustment                        |                    | <u>6,865</u>             |   |
| Fund balance, beginning as restated            |                    | <u>491,157</u>           |   |
| Fund balance, ending                           |                    | <u><u>\$ 513,793</u></u> |   |

**Graham County, North Carolina**  
**Economic Development Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2017**

|                                       | <u>Budget</u> | <u>Actual</u>     | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---------------------------------------|---------------|-------------------|---|
| <b>REVENUES</b>                       |               |                   |   |
| Investment earnings                   |               | \$ 824            |   |
| Total revenues                        | \$ 150        | 824               | \$ 674                                      |
| <b>EXPENDITURES</b>                   |               |                   |   |
| Economic and physical development     | 150           | -                 | 150   |
| Total expenditures                    | 150           | -                 | 150   |
| Revenues over (under) expenditures    | -             | 824               | 824   |
| <b>OTHER FINANCING SOURCES (USES)</b> |               |                   |   |
| Transfer in:                          |               |                   |   |
| General fund                          | -             | -                 | -   |
| Subsequent years expenditures         | -             | -                 | -   |
| Net change in fund balance            | <u>\$ -</u>   | 824               | <u>\$ 824</u>                               |
| Fund balance, beginning               |               | <u>823,187</u>    |   |
| Fund balance, ending                  |               | <u>\$ 824,011</u> |   |

## AGENCY FUNDS

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

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

**Graham County, North Carolina**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2017**

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Deductions</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|-------------------|-------------------|---------------------------|
| <b><u>Social Services</u></b>                          |                              |                   |                   |                           |
| Assets:  |                              |                   |                   |                           |
| Cash and cash equivalents                              | \$ 26,473                    | \$ 229,030        | \$ 230,860        | \$ 24,643                 |
| Liabilities:   |                              |                   |                   |                           |
| Miscellaneous liabilities                              | \$ 26,473                    | \$ 229,030        | \$ 230,860        | \$ 24,643                 |
| <b><u>Motor Vehicle Tax Fund</u></b>                   |                              |                   |                   |                           |
| Assets:  |                              |                   |                   |                           |
| Cash and cash equivalents                              | \$ -                         | \$ 846            | \$ 846            | \$ -                      |
| Liabilities:   |                              |                   |                   |                           |
| Due to Town of Robbinsville                            | \$ -                         | \$ 813            | \$ 813            | \$ -                      |
| Due to Town of Santeetlah                              | -                            | 33                | 33                | -                         |
|  | <u>\$ -</u>                  | <u>\$ 846</u>     | <u>\$ 846</u>     | <u>\$ -</u>               |
| <b><u>4-H Club</u></b>                                 |                              |                   |                   |                           |
| Assets:  |                              |                   |                   |                           |
| Cash and cash equivalents                              | \$ 2,141                     | \$ 12,616         | \$ 10,245         | \$ 4,512                  |
| Liabilities:   |                              |                   |                   |                           |
| Miscellaneous liabilities                              | \$ 2,141                     | \$ 12,616         | \$ 10,245         | \$ 4,512                  |
| <b><u>Deed of Trust Fee Fund</u></b>                   |                              |                   |                   |                           |
| Assets:  |                              |                   |                   |                           |
| Cash and cash equivalents                              | \$ 1,139                     | \$ 9,861          | \$ 10,011         | \$ 989                    |
| Liabilities:   |                              |                   |                   |                           |
| Intergovernmental payable -<br>State of North Carolina | \$ 1,139                     | \$ 9,861          | \$ 10,011         | \$ 989                    |
| <b><u>Totals - All Agency Funds</u></b>                |                              |                   |                   |                           |
| Assets:  |                              |                   |                   |                           |
| Cash and cash equivalents                              | \$ 29,753                    | \$ 252,353        | \$ 251,962        | \$ 30,144                 |
| Liabilities:   |                              |                   |                   |                           |
| Miscellaneous liabilities                              | \$ 28,614                    | \$ 241,646        | \$ 241,105        | \$ 29,155                 |
| Due to Town of Robbinsville                            | -                            | 813               | 813               | -                         |
| Due to Town of Santeetlah                              | -                            | 33                | 33                | -                         |
| Intergovernmental payable-<br>State of North Carolina  | 1,139                        | 9,861             | 10,011            | 989                       |
| Total liabilities                                      | <u>\$ 29,753</u>             | <u>\$ 252,353</u> | <u>\$ 251,962</u> | <u>\$ 30,144</u>          |



## **OTHER SCHEDULES**

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

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

**Graham County, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2017**

| <u>Fiscal Year</u>                          | <u>Uncollected<br/>Balance<br/>June 30, 2016</u> | <u>Additions</u>    | <u>Collections<br/>And Credits</u> | <u>Uncollected<br/>Balance<br/>June 30, 2017</u> |
|---|--|---------------------|------------------------------------|--|
| 2016-2017                                   | \$ -   | \$ 6,206,625        | \$ 5,998,834                       | \$ 207,791                                       |
| 2015-2016                                   | 226,237  | -                   | 133,443                            | 92,794   |
| 2014-2015                                   | 91,472   | -                   | 39,508                             | 51,964   |
| 2013-2014                                   | 41,090   | -                   | 12,888                             | 28,202   |
| 2012-2013                                   | 35,405   | -                   | 7,430                              | 27,975   |
| 2011-2012                                   | 23,433   | -                   | 4,447                              | 18,986   |
| 2010-2011                                   | 22,040   | -                   | 2,753                              | 19,287   |
| 2009-2010                                   | 17,729   | -                   | 1,784                              | 15,945   |
| 2008-2009                                   | 17,776   | -                   | 1,182                              | 16,594   |
| 2007-2008                                   | 16,425   | -                   | 834                                | 15,591   |
| 2006-2007                                   | 14,587   | -                   | 14,587                             | -  |
|   | <u>\$ 506,194</u>                                | <u>\$ 6,206,625</u> | <u>\$ 6,217,690</u>                | 495,129  |
| Less: allowance for uncollectible accounts: |  |                     |                                    |  |
| General fund                                |  |                     |                                    | <u>228,663</u>                                   |
| Ad valorem taxes receivable - net:          |  |                     |                                    |  |
| General fund                                |  |                     |                                    | <u>\$ 266,466</u>                                |
| <br><u>Reconciliation with revenues:</u>    |  |                     |                                    |  |
| Ad valorem taxes - General fund             |  |                     |                                    |  |
| Taxes collected                             |  |                     |                                    | \$ 6,189,921                                     |
| Penalties and interest                      |  |                     |                                    | <u>68,440</u>                                    |
|   |  |                     |                                    | 6,258,361  |
| Reconciling items:                          |  |                     |                                    |  |
| Garnishment fees                            |  |                     |                                    | (4,756)  |
| Taxes written off                           |  |                     |                                    | 14,517   |
| Less: interest collected                    |  |                     |                                    | (50,266)   |
| Other adjustments                           |  |                     |                                    | <u>(166)</u>                                     |
| Total reconciling items                     |  |                     |                                    | <u>(40,671)</u>                                  |
| Total collections and credits               |  |                     |                                    | <u>\$ 6,217,690</u>                              |

**Graham County, North Carolina**  
**Analysis of Current Tax Levy**  
**County - wide Levy**  
**For the Fiscal Year Ended June 30, 2017**

|   | County - wide           |       |                   | Total Levy   |                                 |
|---|-------------------------|-------|-------------------|--|---------------------------------|
|   | Property<br>Valuation   | Rate  | Amount<br>of Levy | Property<br>excluding<br>Registered<br>Motor<br>Vehicles | Registered<br>Motor<br>Vehicles |
| Original levy:                            |                         |       |                   |  |                                 |
| Property taxed at current year's rate     | \$ 1,059,658,974        | 0.585 | \$ 6,199,005      | \$ 6,183,346   | \$ 15,659                       |
| Motor vehicles taxed at prior year's rate | -                       | 0.585 | -                 | -  | -                               |
| Penalties                                 | -                       |       | -                 | -  | -                               |
| <b>Total</b>                              | <b>1,059,658,974</b>    |       | <b>6,199,005</b>  | <b>6,183,346</b>   | <b>15,659</b>                   |
| Discoveries:                              |                         |       |                   |  |                                 |
| Current year taxes                        | 11,644,444              | 0.585 | 68,120            | 68,120   | -                               |
| Prior year taxes                          | -                       |       | -                 | -  | -                               |
| Penalties                                 | -                       |       | -                 | -  | -                               |
| <b>Total</b>                              | <b>11,644,444</b>       |       | <b>68,120</b>     | <b>68,120</b>  | <b>-</b>                        |
| Abatements                                | (10,341,880)            |       | (60,500)          | (58,329)   | (2,171)                         |
| <b>Total property valuation</b>           | <b>\$ 1,060,961,538</b> |       |                   |  |                                 |
| Net levy                                  |                         |       | 6,206,625         | 6,193,137  | 13,488                          |
| Uncollected taxes at June 30, 2017        |                         |       | (207,791)         | (207,791)  | -                               |
| Current year's taxes collected            |                         |       | \$ 5,998,834      | \$ 5,985,346   | \$ 13,488                       |
| Current levy collection percentage        |                         |       | 96.65%            | 96.64%   | 100.00%                         |

**Secondary Market Disclosures:**

|   |  |  |           |                      |
|---|--|--|-----------|----------------------|
| Assessed valuation:   |  |  |           |                      |
| Assessment ratio <sup>1</sup>                                     |  |  |           | 1.0003               |
| Real property   |  |  | \$        | 996,719,148          |
| Personal property   |  |  |           | 31,052,760           |
| Public service companies <sup>2</sup>                             |  |  |           | 33,189,630           |
| <b>Total assessed valuation</b>                                   |  |  | <b>\$</b> | <b>1,060,961,538</b> |
| Tax rate per \$100  |  |  |           | 0.585                |
| Levy (includes discoveries, releases and abatements) <sup>3</sup> |  |  | \$        | 6,206,625            |

<sup>1</sup> Percentage of appraised value has been established by statute.

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

<sup>3</sup> The levy includes interest and penalties.

**Graham County, North Carolina  
Ten Largest Taxpayers  
For the Fiscal Year Ended June 30, 2017**

| <u>Taxpayer</u>              | <u>Type of Business</u> | <u>Assessed<br/>Valuation</u> | <u>Percentage of Total<br/>Assessed Valuation</u> |
|------------------------------|-------------------------|-------------------------------|---|
| Brookfield Smoky Mountain    | Commercial              | \$ 209,132,720                | 19.71%  |
| Duke Energy                  | Utility                 | 31,662,908                    | 2.98%   |
| 130 of Chatham               | Real Estate             | 6,281,785                     | 0.59%   |
| Cody Family and Heirs        | Residential             | 6,122,055                     | 0.58%   |
| Crisp and Crisp Inc.         | Commercial              | 5,756,071                     | 0.54%   |
| Fontana Village Inc.         | Commercial              | 5,670,620                     | 0.53%   |
| Graham County Land Company   | Commercial              | 2,080,672                     | 0.20%   |
| State Employees Credit Union | Commercial              | 2,089,320                     | 0.20%   |
| Britthaven Inc.              | Commercial              | 2,041,820                     | 0.19%   |
| American Upland Trust LLC    | Commercial              | 1,976,550                     | 0.19%   |
| <br>                         |                         |                               |   |
| Total                        |                         | <u>\$ 272,814,521</u>         | <u>25.71%</u>                                     |

**Graham County, North Carolina**  
**Emergency Telephone System Unspent Balance**  
**PSAP Reconciliation**  
**June 30, 2017**

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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 | \$ 22,636         |
| Beginning Balance, PSAP Revenue - Expenditure Report     | <u>491,157</u>    |
| Ending Balance, PSAP Revenue - Expenditure Report        | <u>\$ 513,793</u> |

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**COMPLIANCE SECTION**

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# Turner & Company CPAs P.A.

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

To the Board of County Commissioners  
Graham County, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Graham County, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises Graham County's basic financial statements, and have issued our report thereon dated December 12, 2017. The financial statements of the Tourism Development Authority and the Rural Development Authority were not audited in accordance with Governmental Auditing Standards.

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

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

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

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

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

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

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Turner & Company CPAs P.A.*

TURNER & COMPANY CPAs P.A.  
Murphy, North Carolina  
December 12, 2017

# Turner & Company CPAs P.A.

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

To the Board of Commissioners  
Graham County, North Carolina

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

We have audited Graham County, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Graham County's major federal programs for the year ended June 30, 2017. Graham County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Graham County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Graham County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Programs***

In our opinion, Graham County complied, in all material aspects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

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

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

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



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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, as item 2017-001 that we consider to be a significant deficiency.

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

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

*Turner & Company CPAs P.A.*

TURNER & COMPANY CPAs P.A.

Murphy, North Carolina

December 12, 2017

# Turner & Company CPAs P.A.

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

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

To the Board of Commissioners  
Graham County, North Carolina

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

We have audited Graham County, North Carolina, compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of Graham County's major state programs for the year ended June 30, 2017. Graham County's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Graham County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Graham County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

### ***Opinion on Each Other Major State Programs***

In our opinion, Graham County complied, in all material aspects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major state programs year ended June 30, 2017.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with applicable sections of the Uniform Guidance as described in the Audit Manual for Governmental Auditors in North Carolina and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major state program is not modified with respect to these matters.

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

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, as item 2017-001 that we consider to be a significant deficiency.

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

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

*Turner & Company CPAs P.A.*

TURNER & COMPANY CPAs P.A.

Murphy, North Carolina

December 12, 2017

**Graham County, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2017**

**Section I - Summary of Auditors' Results**

**Financial Statements**

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

**Federal Awards**

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

| CFDA No(s). | Names of Federal Program or Cluster               |
|-------------|---|
| 93.778      | Medical Assistance Program (Title XIX – Medicaid) |

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

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

Auditee qualified as low-risk auditee \_\_\_\_\_ yes      X   no

**State Awards**

Internal control over major state programs:

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

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

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

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

**Program Name**

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

**Section II - Financial Statement Findings**

None reported.

**Graham County, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2017**

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

**U.S. Department of Health & Human Services**

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

Program Name: Medical Assistance Program (Medicaid; Title XIX)

Grant Number: XXXX

**Finding 2017-001**

**SIGNIFICANT DEFICIENCY**

Elegibility

**Criteria:** The Graham County Department of Social Service is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plan (42 CFR Section 431.10).

Federal regulations require all states to implement a program to verify the liquid assets of individuals held in financial institutions when determining Medicaid eligibility. North Carolina's Asset Verification System (AVS) is an automated system that obtains electronic financial information for individuals applying or subject to redetermination for Aged, Blind and Disabled Medicaid. Caseworkers submit asset verification requests and receive responses through NCFAS. AVS is only used to verify assets for Aged, Blind and Disabled Medicaid programs, including Special Assistance (SA) and Medicaid Qualified Medicare Beneficiaries (MQB). AVS is not used for Medicaid to Families with Dependent Children (MAF) cases.

**Condition:** Of the 120 case files examined, 32 of the case files utilized manual verification of liquid assets rather than the mandated automated Asset Verification System (AVS).

**Cause:** There is a lack of sufficient training of the eligibility requirements as defined in the approved State plan (42 CFR Section 431.10) pertaining to liquid assets and the automated Asset Verification System (AVS) due to turnover in the Department of Social Services (DSS).

**Effect:** Full disclosure of liquid assets is not guaranteed via manual verification. With the mandated automated Asset Verification System (AVS), there is a more accurate disclosure of financial information. Reliance on manual verification could result in applicants receiving assistance for which they are not eligible.

**Questioned Costs:** There were no questioned costs identified because no differences were noted between manual verification and use of the automated Asset Verification System (AVS) which would have effected eligibility.

**Context:** Of the 1,519 participant casefiles, we examined 120, and found 32 instances of noncompliance.

**Identification of a repeat finding:** This is not a repeat finding from the immediate previous audit.

**Recommendation:** We recommend that the Board provide more in-depth training regarding the NC FAST eligibility determination system and monitor the completion of training.

**Views of responsible officials and planned corrective actions:** The County agrees with this finding and will adhere to the corrective action plan on page 88 in this audit report.

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

See Finding 2017-001

**Graham County, North Carolina  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2017**

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**Section II - Financial Statement Findings**

None reported.

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

**Finding 2017-001**

Name of contact person: Butch Sanders, Director of Social Services

Corrective Action: The Department will provide more in-depth training for caseworkers regarding the NC FAST eligibility determination system and monitor whether training has been completed. The County will continue to train employees to ensure that all workers certify their day sheets and that the day sheets are approved by supervisors.

Proposed Completion Date: Ongoing

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

See above listed Finding 2017-001

**Graham County, North Carolina  
Summary Schedule of Prior Year Audit Findings  
For the Fiscal Year Ended June 30, 2017**

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**Finding 2016-001**

**Status:** Corrected.

**Graham County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2017**

| Grantor/Pass-through<br>Grantor/Program Title  | Federal<br>CFDA<br>Number | State/<br>Pass-through<br>Grantor's<br>Number | Federal<br>(Direct &<br>Pass-through)<br>Expenditures | State<br>Expenditures | Passed-<br>through<br>to<br>Subrecipients | Local<br>Expenditures |
|--|---------------------------|---|---|-----------------------|---|-----------------------|
| <b>Federal Awards:</b>   |                           |   |   |                       |   |                       |
| <b><u>U.S. Department of Agriculture</u></b>   |                           |   |   |                       |   |                       |
| <b><u>Food and Nutrition Service</u></b>   |                           |   |   |                       |   |                       |
| Passed-through the N.C. Department of Health and Human Services:   |                           |   |   |                       |   |                       |
| Division of Social Services:   |                           |   |   |                       |   |                       |
| Administration:  |                           |   |   |                       |   |                       |
| State Administrative Matching Grants for<br>the Supplemental Nutrition Assistance Program                          | 10.561                    | XXXX  | \$ 80,463   | \$ -                  | \$ -                                      | \$ 80,463             |
| Passed-through the N.C. Department of Health and Human Services:   |                           |   |   |                       |   |                       |
| Division of Public Health:   |                           |   |   |                       |   |                       |
| Administration:  |                           |   |   |                       |   |                       |
| Special Supplemental Nutrition Program for<br>Women, Infants, & Children   | 10.557                    | XXXX  | 51,365  | -                     | -   | -                     |
| Direct Benefit Payments:   |                           |   |   |                       |   |                       |
| Special Supplemental Nutrition Program for<br>Women, Infants, & Children   | 10.557                    | XXXX  | 198,669   | -                     | -   | -                     |
| <b>Total U.S. Department of Agriculture</b>  |                           |   | <b>330,497</b>  | <b>-</b>              | <b>-</b>                                  | <b>80,463</b>         |
| <b><u>U.S. Department of Transportation</u></b>  |                           |   |   |                       |   |                       |
| <b><u>Federal Transit Administration</u></b>   |                           |   |   |                       |   |                       |
| Passed-through the N.C. Department of Transportation:  |                           |   |   |                       |   |                       |
| Formula Grants for Other than Urbanized Areas - Capital  | 20.509                    | XXXX  | 264,268   | 18,494                | -   | 31,418                |
| Formula Grants for Other than Urbanized Areas - Administration   | 20.509                    | XXXX  | 130,785   | 9,646                 | -   | 24,863                |
| <u>Transit Services Programs Cluster:</u>  |                           |   |   |                       |   |                       |
| Enhanced Mobility of Seniors and Individuals with Disabilities   | 20.513                    | XXXX  | 70,013  | 6,451                 | -   | 19,116                |
| Total Transit Services Programs Cluster  |                           |   | 70,013  | 6,451                 | -   | 19,116                |
| <b>Total U.S. Department of Transportation</b>   |                           |   | <b>465,066</b>  | <b>34,591</b>         | <b>-</b>                                  | <b>75,397</b>         |
| <b><u>U. S. Department of Homeland Security</u></b>  |                           |   |   |                       |   |                       |
| Passed-through N.C. Department of Crime Control and Public Safety:   |                           |   |   |                       |   |                       |
| Division of Emergency Management   |                           |   |   |                       |   |                       |
| Hazard Mitigation Grant Program  | 97.039                    | XXXX  | 38,583  | -                     | -   | -                     |
| <b>Total U. S. Department of Homeland Security</b>   |                           |   | <b>38,583</b>   | <b>-</b>              | <b>-</b>                                  | <b>-</b>              |
| <b><u>U.S. Department of Health &amp; Human Services</u></b>   |                           |   |   |                       |   |                       |
| <b><u>Office of the Population Affairs</u></b>   |                           |   |   |                       |   |                       |
| Passed-through the N.C. Department of Health and Human Services:   |                           |   |   |                       |   |                       |
| Division of Public Health:   |                           |   |   |                       |   |                       |
| Family Planning Services Title X   | 93.217                    | XXXX  | 15,689  | -                     | -   | -                     |
| Total Office of the Population Affairs   |                           |   | 15,689  | -                     | -   | -                     |
| <b><u>Administration on Aging</u></b>  |                           |   |   |                       |   |                       |
| <b><u>Division of Aging and Adult Services</u></b>   |                           |   |   |                       |   |                       |
| Passed-through Southwestern North Carolina Planning and<br>Economic Development Commission Council of Governments: |                           |   |   |                       |   |                       |
| <u>Aging Cluster:</u>  |                           |   |   |                       |   |                       |
| Special Programs for the Aging - Title III B   |                           |   |   |                       |   |                       |
| Special Programs for the Aging - Title III C   |                           |   |   |                       |   |                       |
| Nutrition Services   | 93.045                    | XXXX  | 139,480   | 8,205                 | -   | 16,409                |
| Nutrition Services Incentive Program   | 93.053                    | XXXX  | 10,567  | -                     | -   | -                     |
| Total Aging Cluster  |                           |   | 150,047   | 8,205                 | -   | 16,409                |
| Social Service Block Grant (SSBG) - State In Home Services   | 93.67                     | XXXX  | 10,770  | -                     | -   | 3,589                 |
| Total Administration on Aging  |                           |   | 160,817   | 8,205                 | -   | 19,998                |
| <b><u>Administration for Children and Families</u></b>   |                           |   |   |                       |   |                       |
| Child Support Enforcement  | 93.563                    | XXXX  | 63,153  | -                     | -   | 32,533                |
| Promoting Safe and Stable Families   | 93.556                    | XXXX  | 11,148  | -                     | -   | -                     |
| Low-Income Home Energy Assistance:   |                           |   |   |                       |   |                       |
| Administration   | 93.568                    | XXXX  | 13,378  | -                     | -   | -                     |
| Energy Assistance Payments- Direct Benefit Payments  | 93.568                    | XXXX  | 38,000  | -                     | -   | -                     |
| Crisis Intervention Program  | 93.568                    | XXXX  | 39,320  | -                     | -   | -                     |
| Total Low-Income Home Energy Assistance  |                           |   | 90,698  | -                     | -   | -                     |



**Graham County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2017**

| Grantor/Pass-through<br>Grantor/Program Title                         | Federal<br>CFDA<br>Number | State/<br>Pass-through<br>Grantor's<br>Number | Federal<br>(Direct &<br>Pass-through)<br>Expenditures | State<br>Expenditures | Passed-<br>through<br>to<br>Subrecipients | Local<br>Expenditures |
|---|---------------------------|---|---|-----------------------|---|-----------------------|
| Stephanie Tubbs Jones Child Welfare Services Program:                 |                           |   |   |                       |   |                       |
| - Permanency Planning - Families for Kids                             | 93.645                    | XXXX  | 2,331   | -                     | -   | 777                   |
| Total Stephanie Tubbs Jones Child Welfare Services Program            |                           |   | 2,331   | -                     | -   | 777                   |
| SSBG - Other Service and Training                                     | 93.667                    | XXXX  | 71,447  | 4,033                 | -   | 13,058                |
| Division of Aging and Adult Services:                                 |                           |   |   |                       |   |                       |
| Division of Social Services:  |                           |   |   |                       |   |                       |
| SSBG - State In Home Service Fund                                     | 93.667                    | XXXX  | 65  | -                     | -   | 9                     |
| Passed-through the N.C. Department of Health and Human Services:      |                           |   |   |                       |   |                       |
| Division of Social Services:  |                           |   |   |                       |   |                       |
| <u>Temporary Assistance for Needy Families Cluster</u>                |                           |   |   |                       |   |                       |
| Temporary Assistance for Needy Families (TANF) /<br>Work First        | 93.558                    | XXXX  | 18,264  | -                     | -   | 57,225                |
| TANF / Work First - Direct Benefit Payments                           | 93.558                    | XXXX  | 53,929  | -                     | -   | 38,859                |
| Total TANF Cluster  |                           |   | 72,193  | -                     | -   | 96,084                |
| <u>Foster Care and Adoption Cluster</u>                               |                           |   |   |                       |   |                       |
| Foster Care - Title IV-E  | 93.658                    | XXXX  | 80,145  | 3,249                 | -   | 73,273                |
| Adoption Assistance   | 93.659                    | XXXX  | 554   | -                     | -   | 554                   |
| Foster Care - Title IV-E - Direct Benefit Payments                    | 93.658                    | XXXX  | 105,883   | 33,195                | -   | 39,852                |
| Adoption Assistance - Direct Benefit Payments                         | 93.659                    | XXXX  | 22,528  | 76,123                | -   | 8,625                 |
| Total Foster Care and Adoption Cluster                                |                           |   | 209,110   | 112,567               | -   | 122,304               |
| Chafee Foster Care Independence Program                               | 93.674                    | XXXX  | 1,309   | 327                   | -   | -                     |
| Division of Child Development and Early Education:                    |                           |   |   |                       |   |                       |
| Subsidized Child Care (Note 3)  |                           |   |   |                       |   |                       |
| <u>Child Care Development Fund Cluster:</u>                           |                           |   |   |                       |   |                       |
| Division of Social Services:  |                           |   |   |                       |   |                       |
| Child Care Development Mandatory and Match Fund<br>- Administration   | 93.596                    | XXXX  | 80,000  | -                     | -   | -                     |
| Division of Child Development:  |                           |   |   |                       |   |                       |
| Child Care and Development Fund -- Discretionary                      | 93.575                    | XXXX  | 109,750   | -                     | 344,579                                   | -                     |
| Child Care and Development Fund -- Mandatory                          | 93.596                    | XXXX  | 41,092  | -                     | -   | -                     |
| Child Care and Development Fund -- Match                              | 93.596                    | XXXX  | 22,637  | 4,224                 | -   | -                     |
| Total Child Care Development Fund Cluster                             |                           |   | 253,479   | 4,224                 | 344,579                                   | -                     |
| Social Services Block Grant   | 93.667                    | XXXX  |   |                       |   | -                     |
| Temporary Assistance for Needy Families                               | 93.558                    | XXXX  | 33,606  | -                     | -   | -                     |
| Foster Care Title IV-E  | 93.658                    | XXXX  | 3,634   | 1,813                 | -   | -                     |
| State Appropriations  |                           | XXXX  | -   | 109,178               | -   | -                     |
| TANF-MOE  |                           | XXXX  | -   | 28,797                | -   | -                     |
| Total Subsidized Child Care (Note 3)                                  |                           |   | 290,719   | 144,012               | 344,579                                   | -                     |
| Total Administration for Children and Families                        |                           |   | 812,173   | 260,939               | 344,579                                   | 264,765               |
| <b><u>Centers for Medicare and Medicaid Services</u></b>              |                           |   |   |                       |   |                       |
| Passed-through the N.C. Department of Health and Human Services:      |                           |   |   |                       |   |                       |
| <u>Medicaid Cluster</u>   |                           |   |   |                       |   |                       |
| Division of Medical Assistance:                                       |                           |   |   |                       |   |                       |
| Direct Benefit Payments:  |                           |   |   |                       |   |                       |
| Medical Assistance Program  | 93.778                    | XXXX  | 11,726,534  | 6,355,624             | -   | -                     |
| Division of Social Services:  |                           |   |   |                       |   |                       |
| Administration:   |                           |   |   |                       |   |                       |
| Medical Assistance Program  | 93.778                    | XXXX  | 391,138   | -                     | -   | 168,406               |
| Total Medicaid Cluster  |                           |   | 12,117,672  | 6,355,624             | -   | 168,406               |
| Direct Benefit Payments:  |                           |   |   |                       |   |                       |
| Children's Health Insurance Program (CHIP) - State N.C. Health Choice | 93.767                    | XXXX  | 197,561   | 2,486                 | -   | -                     |
| Administration:   |                           |   |   |                       |   |                       |
| Children's Health Insurance Program (CHIP) - State N.C. Health Choice | 93.767                    | XXXX  | 10,036  | 13                    | -   | 14                    |
| Total Children's Health Insurance Program (CHIP)                      |                           |   | 207,597   | 2,499                 | -   | 14                    |
| Total Centers for Medicare and Medicaid Services                      |                           |   | 12,325,269  | 6,358,123             | -   | 168,420               |

**Graham County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2017**

| Grantor/Pass-through<br>Grantor/Program Title                       | Federal<br>CFDA<br>Number | State/<br>Pass-through<br>Grantor's<br>Number | Federal<br>(Direct &<br>Pass-through)<br>Expenditures | State<br>Expenditures | Passed-<br>through<br>to<br>Subrecipients | Local<br>Expenditures |
|---|---------------------------|---|---|-----------------------|---|-----------------------|
| <b><u>Centers for Disease Control</u></b>                           |                           |   |   |                       |   |                       |
| Passed-through the N.C. Department of Health and Human Services:    |                           |   |   |                       |   |                       |
| Division of Public Health:  |                           |   |   |                       |   |                       |
| Hospital Preparedness Program (HPP) and Public Health               |                           |   |   |                       |   |                       |
| Emergency Preparedness (PHEP) Aligned Cooperative Agreements        | 93.074                    | XXXX  | 40,053  | -                     | -   | -                     |
| Project Grants and Cooperative Agreements for                       |                           |   |   |                       |   |                       |
| Tuberculosis Control Program  | 93.116                    | XXXX  | 50  | -                     | -   | -                     |
| <b><u>Immunization Cluster</u></b>                                  |                           |   |   |                       |   |                       |
| Immunization Grants   | 93.268                    | XXXX  | 2,169   | -                     | -   | -                     |
| Total Immunization Cluster  |                           |   | 2,169   | -                     | -   | -                     |
| Cooperative Agreements for State-Based Comprehensive                |                           |   |   |                       |   |                       |
| Breast and Cervical Cancer Early Detection Programs                 | 93.919                    | XXXX  | 935   | -                     | -   | -                     |
| Preventive Health and Health Services Block Grant                   | 93.991                    | XXXX  | 26,707  | -                     | -   | -                     |
| Prevention Investigation and Technical Assistance                   | 93.283                    | XXXX  | 117,853   | -                     | -   | -                     |
| PPHF Capacity Building Assistance to Strengthen Public Health       |                           |   |   |                       |   |                       |
| Immunization Infrastructure and Performance financed in part by     |                           |   |   |                       |   |                       |
| Prevention and Public Health Funds                                  | 93.539                    | XXXX  | 3,094   | -                     | -   | -                     |
| Total Centers for Disease Control                                   |                           |   | 190,861   | -                     | -   | -                     |
| <b><u>Health Resources and Services Administration</u></b>          |                           |   |   |                       |   |                       |
| Passed-through the N.C. Department of Health and Human Services:    |                           |   |   |                       |   |                       |
| Division of Public Health:  |                           |   |   |                       |   |                       |
| Maternal and Child Health Services Block Grant                      | 93.994                    | XXXX  | 23,161  | 17,372                | -   | -                     |
| Total Health Resources and Services Administration                  |                           |   | 23,161  | 17,372                | -   | -                     |
| <b>Total U.S. Department of Health and Human Services</b>           |                           |   |   |                       |   |                       |
|   |                           |   | <b>13,527,970</b>                                     | <b>6,644,639</b>      | <b>344,579</b>                            | <b>453,183</b>        |
| <b>Total federal awards</b>   |                           |   |   |                       |   |                       |
|   |                           |   | <b>14,362,116</b>                                     | <b>6,679,230</b>      | <b>344,579</b>                            | <b>609,043</b>        |
| <b>State Awards:</b>  |                           |   |   |                       |   |                       |
| <b><u>N.C. Department of Administration</u></b>                     |                           |   |   |                       |   |                       |
| Veterans Service  |                           | XXXX  | -   | 2,000                 | -   | -                     |
| <b><u>N.C. Department of Agriculture and Consumer Services</u></b>  |                           |   |   |                       |   |                       |
| Agricultural Cost Share Program Allocation                          |                           | XXXX  | -   | 20,011                | -   | 46,625                |
| State Matching Funds Allocation                                     |                           | XXXX  | -   | 3,600                 | -   | 3,600                 |
| <b>Total N.C. Department of Agriculture and Consumer Services</b>   |                           |   |   |                       |   |                       |
|   |                           |   | -   | <b>23,611</b>         | -   | <b>50,225</b>         |
| <b><u>N.C. Department of Environment and Natural Resources</u></b>  |                           |   |   |                       |   |                       |
| Division of Waste Management  |                           |   |   |                       |   |                       |
| White Goods Management Program                                      |                           | XXXX  | -   | 3,324                 | -   | -                     |
| Electronics Disposal Program  |                           | XXXX  | -   | 650                   | -   | -                     |
| Scrap Tire Program  |                           | XXXX  | -   | 9,083                 | -   | -                     |
| <b>Total N.C. Department of Environmental and Natural Resources</b> |                           |   |   |                       |   |                       |
|   |                           |   | -   | <b>13,057</b>         | -   | -                     |
| <b><u>N.C. Department of Health and Human Services</u></b>          |                           |   |   |                       |   |                       |
| Division of Aging and Adult Services                                |                           |   |   |                       |   |                       |
| Division of Social Services   |                           |   |   |                       |   |                       |
| State/County Special Assistance for Adults - DBP                    |                           | XXXX  | -   | 74,177                | -   | 65,038                |
| State Foster Home   |                           | XXXX  | 14,164  | 1,070                 | -   | 181,504               |
| Family Preservation Services Program                                |                           | XXXX  | -   | 15,583                | -   | -                     |
| Total Division of Social Service                                    |                           |   | 14,164  | 90,830                | -   | 246,542               |
| Division of Public Health   |                           |   |   |                       |   |                       |
| Community Care NC - Healthnet                                       |                           | XXXX  | -   | 20,250                | -   | -                     |
| General Aid to Counties   |                           | XXXX  | -   | 75,075                | -   | -                     |
| General Communicable Disease Control                                |                           | XXXX  | -   | 11,336                | -   | -                     |
| Child Health  |                           | XXXX  | -   | 1,197                 | -   | -                     |
| HIV/STD - State   |                           | XXXX  | -   | 100                   | -   | -                     |
| HIV/STD - SSBG Aid  |                           | XXXX  | -   | 400                   | -   | -                     |
| HMHC - Family Planning  |                           | XXXX  | -   | 1,709                 | -   | -                     |
| Food and Lodging Fees   |                           | XXXX  | -   | 3,061                 | -   | -                     |
| Maternal Health (HMHC)  |                           | XXXX  | -   | 2,081                 | -   | -                     |
| Breast and Cervical Cancer Control                                  |                           | XXXX  | -   | 5,695                 | -   | -                     |
| Sexually Transmitted Diseases                                       |                           | XXXX  | -   | 72                    | -   | -                     |
| School Nurse Funding Initiative                                     |                           | XXXX  | -   | 49,052                | -   | -                     |
| Tuberculosis Medical Service  |                           | XXXX  | -   | 540                   | -   | -                     |
| Tuberculosis  |                           | XXXX  | -   | 720                   | -   | -                     |
| Women's Health Service Fund   |                           | XXXX  | -   | 1,847                 | -   | -                     |
| Total Division of Public Health                                     |                           |   | -   | 173,135               | -   | -                     |
| <b>Total N. C. Department of Health and Human Services</b>          |                           |   |   |                       |   |                       |
|   |                           |   | <b>14,164</b>   | <b>263,965</b>        | -   | <b>246,542</b>        |

**Graham County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2017**

| Grantor/Pass-through<br>Grantor/Program Title                 | Federal<br>CFDA<br>Number | State/<br>Pass-through<br>Grantor's<br>Number | Federal<br>(Direct &<br>Pass-through)<br>Expenditures | State<br>Expenditures | Passed-<br>through<br>to<br>Subrecipients | Local<br>Expenditures |
|---|---------------------------|---|---|-----------------------|---|-----------------------|
| <b><u>N.C. Department of Information Technology</u></b>       |                           |   |   |                       |   |                       |
| 911 Relocation and Refreshment Project Grant                  |                           | XXXX  | -   | 423,302               | -   | -                     |
| <b>Total N.C. Department of Information Technology</b>        |                           |   | <b>-</b>  | <b>423,302</b>        | <b>-</b>                                  | <b>-</b>              |
| <b><u>NC Department of Public Safety</u></b>                  |                           |   |   |                       |   |                       |
| Division of Juvenile Justice and Delinquency Prevention       |                           |   |   |                       |   |                       |
| Juvenile Crime Prevention Programs                            |                           | XXXX  | -   | 58,528                | 58,528                                    | 5,426                 |
| <b>Total NC Department of Public Safety</b>                   |                           |   | <b>-</b>  | <b>58,528</b>         | <b>58,528</b>                             | <b>5,426</b>          |
| <b><u>N.C. Department of Transportation</u></b>               |                           |   |   |                       |   |                       |
| Rural Operating Assistance Program (ROAP)                     |                           |   |   |                       |   |                       |
| - ROAP Elderly and Disabled Transportation Assistance Program |                           | XXXX  | -   | 48,329                | -   | -                     |
| - ROAP Rural General Public Program                           |                           | XXXX  | -   | 45,558                | -   | -                     |
| - ROAP Work First Transitional - Employment                   |                           |   | -   | 4,962                 | -   | -                     |
| Total ROAP Cluster  |                           |   | -   | 98,849                | -   | -                     |
| <b>Total N.C. Department of Transportation</b>                |                           |   | <b>-</b>  | <b>98,849</b>         | <b>-</b>                                  | <b>-</b>              |
| <b>Total State awards</b>                                     |                           |   | <b>14,164</b>   | <b>883,312</b>        | <b>58,528</b>                             | <b>302,193</b>        |
| <b>Total federal and State awards</b>                         |                           |   | <b>\$ 14,376,280</b>                                  | <b>\$ 7,562,542</b>   | <b>\$ 403,107</b>                         | <b>\$ 911,236</b>     |

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

1. **Basis of Presentation**  
The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Graham County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Graham County, it is not intended to and does not present the financial position, changes in net position or cash flows of Graham County.
2. **Summary of Significant Accounting Policies**  
Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.  
Graham County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.
3. **Cluster of Programs**  
The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Subsidized Child Care and Foster Care and Adoption