

# **Graham County, North Carolina**

## **Financial Statements**

**June 30, 2012**

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

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

# **Graham County, North Carolina**

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## **County Officials**

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County Manager

Rebecca E. Garland, CPA

Director of Finance

Donna Cody

County Attorney

Carolyn Stewart

Register of Deeds

Erma Phillips

Tax Administrator

# Graham County, North Carolina

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June 30, 2012

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

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## Independent Auditors' Report

Board of Commissioners  
Graham County  
Robbinsville, North Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Graham County, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Graham County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Graham County, North Carolina, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund and the EDC Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, on our consideration of Graham County, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 7 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Graham County's financial statements as a whole. The combining and individual non-major fund statements, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular

A-133, *Audits of States, Local Governments and Non Profit Organizations*, and the State Single Audit Implementation Act are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining and individual non-major fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied by us 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 financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary schedules and other schedules, and the schedule of expenditures of federal and State awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

*Turner, Ennis, & Hatchett, CPAs, P.A.*

TURNER, ENNIS & HATCHETT, CPA's, P.A.

December 14, 2012

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**June 30, 2012**

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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, 2012. 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**

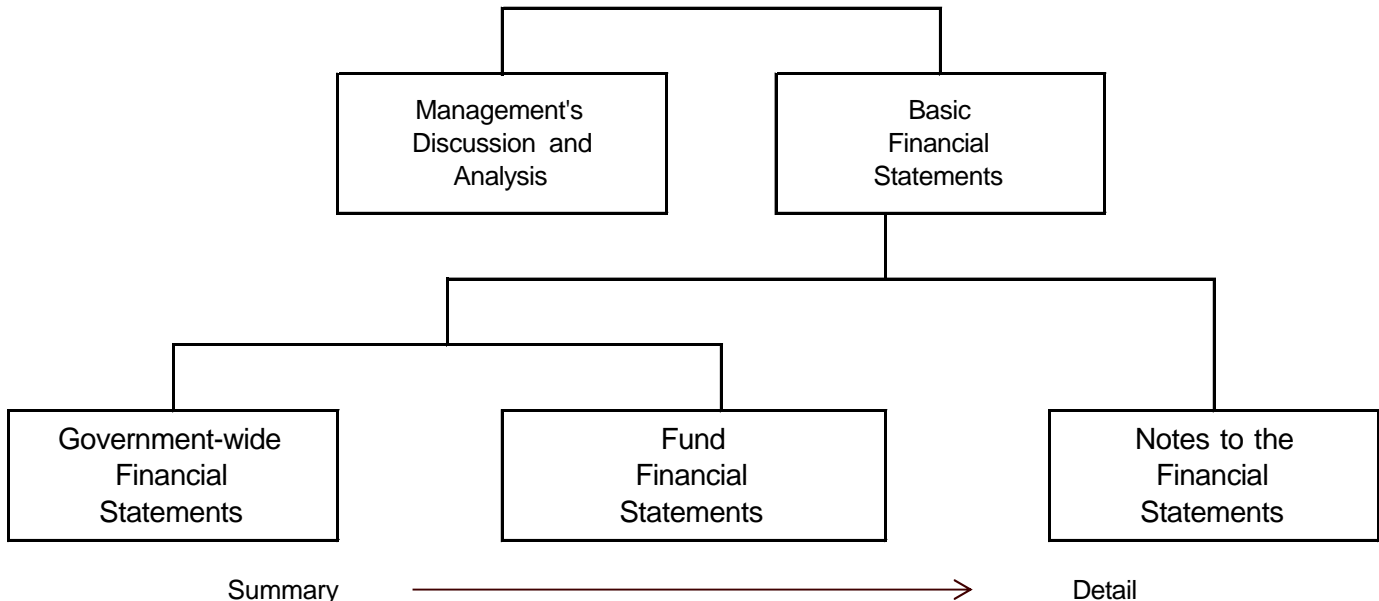
- The assets of Graham County exceeded its liabilities at the close of the fiscal year by \$6,563,712 (*net assets*).
- The government's total net assets increased by \$1,754,768.
- As of the close of the current fiscal year, Graham County's governmental funds reported combined ending fund balances of \$4,083,510, an increase of \$940,780 in comparison with the prior year. Approximately 35.60 percent of this total amount or \$1,453,848 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,629,662 or 20.21 percent of total general fund expenditures for the fiscal year.
- Graham County, North Carolina's total debt decreased by \$397,355 (7%) during the current fiscal year. Graham County increased its net capital lease obligation by \$131,024. This decreased consisted of the capital lease obligation for the new garbage truck as well as the payoff of the garbage truck that was traded, in the amount of \$33,239 plus \$1,024 interest. Graham County's proceeds from installment purchases increased by \$70,461 for vehicle acquisition for the Health Department and the Department of Social Services. The primary factor in the net decrease in debt was the scheduled principal repayments.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Graham County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the 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; 3) the fiduciary fund statements.

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

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

### Government-wide Financial Statements

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

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets 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 two discretely presented component units; the Graham County Industrial Facility and Pollution Control Financing Authority, and Graham County Rural Development Authority.

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

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

None of the two Authorities had financial transactions during the year ended June 30, 2012, and are not presented in the combined financial statements.

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 Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on pages 26 of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information required by NC General Statutes concerning Graham County, North Carolina. This section contains statements of revenue, expenditures and changes in fund balance budget and actual for the General Fund and Non-major Special Revenue and Capital Projects Funds. It also includes information related to agency funds and the property tax levy and receivables due to the County. Supplementary information can be found beginning on page 48 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Graham County exceeded liabilities by \$6,563,712 as of June 30, 2012. The County's net assets increased by \$1,754,768 for the fiscal year ended June 30, 2012. One of the largest portions \$5,835,712 (88.91%) reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. 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 assets \$1,453,848 (22.15%) represents resources that are subject to external restrictions on how they may be used. In addition \$912,929 (12.4%) of net assets represents amounts restricted by State Statute for Stabilization as per G.S. 159. The remaining balance of (\$725,848) is unrestricted. Unrestricted net assets are negative due to the fact that the County holds general obligation debt and QZAB debt on behalf of the Graham County Schools for which the school system reports the associated assets on their financial statements.

**Graham County, North Carolina's Net Assets**

Figure 2

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
Current and other assets	\$ 6,025,749	\$ 5,351,157
Capital assets	7,609,963	7,336,183
Total assets	<u>13,635,712</u>	<u>12,687,340</u>
Long-term liabilities outstanding	5,671,561	6,054,458
Other liabilities	1,400,439	1,823,938
Total liabilities	<u>7,072,000</u>	<u>7,878,396</u>
Net assets:		
Invested in capital assets, net of related debt	5,835,712	5,431,404
Restricted	1,453,848	1,750,804
Unrestricted	<u>(725,848)</u>	<u>(2,373,264)</u>
Total net assets	<u>\$ 6,563,712</u>	<u>\$ 4,808,944</u>

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 94.33% (ad valorem), lower than the statewide average of 97.91%, and slightly lower than the county average of 95.52% 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. The collection rate was slightly lower than projections due to the fact that one major taxpayer had not paid at year end. In addition, total property tax revenue increased to the property tax rate being raised. The increased levy diluted the collection rate.
- Increase of the property tax rate from \$.405 per hundred to \$.44 per hundred positively affected the net assets of the County.
- Increased charges for services revenue due to growth in the use of County facilities, and higher operating grant revenues.
- Continued pay down of debt balances positively influenced net assets.
- TVA PILT revenues increased by approximately \$17,000 per month beginning in November, 2010 following an audit by the NC Department of Revenue of the assets held in Graham County at Fontana Dam. This additional funding will not continue into the 2012-13 fiscal year.

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

Figure 3

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
Revenues:		
Program revenues:		
Charges for services	\$ 1,967,751	\$ 1,882,109
Operating grants and contributions	3,713,183	3,517,169
Capital grants and contributions	533,826	1,074,858
General revenues:		
Property taxes	5,547,994	5,052,954
Other taxes	1,394,175	1,486,668
Grants and contributions not restricted to specific programs	1,122,166	1,032,203
Investment earnings, unrestricted	19,635	17,878
Other	525,662	(731,615)
Total revenues	<u>14,824,392</u>	<u>13,332,224</u>
Expenses:		
General government	2,161,011	2,150,339
Public Safety	3,515,543	3,324,435
Transportation	463,130	460,570
Economic and physical development	655,897	384,309
Environment protection	930,166	880,636
Human services	3,916,564	3,791,325
Cultural and recreational	301,834	478,620
Education	928,782	828,141
Interest on long-term debt	196,697	218,035
Total expenses	<u>13,069,624</u>	<u>12,516,410</u>
Change in net assets	1,754,768	815,814
Net assets, beginning current year restated	4,808,944	3,993,130
Net assets, ending	<u>\$ 6,563,712</u>	<u>\$ 4,808,944</u>

**Governmental activities.** Governmental activities increased the County's net assets by \$1,758,768. Key elements of this increase are as follows:

- Property tax collections increased by a total of \$484,654 (9.8%) due to the increase in the property tax rate from \$.405 per hundred to \$.44 per hundred. The actual property tax percentage collection rate decreased due to the increase in the total levy diluting the ratio.
- Total governmental revenues increased by 11% due to slight increases in shared revenues and increases in operating capital grants and in spite of substantial declines in sales tax revenues due to changes in State shared revenue formulas and economic conditions across the State. Part of the increase stemmed from revenues passed from NCDHHS to Southwestern Child Development Commission for subsidized daycare.
- Unrestricted grant revenues increased by 9% between 2010 and 2011.
- Total government wide expenses increased 4% due to expenditures of capital grant revenues and expenditures of fire insurance proceeds to replace non-capital contents. Expenses also increased due to the fact that the County did not extend the furlough and non paid holiday policy of employees from 2011-12, which increased total compensation and benefits of the County. In addition, the County passed day care expenditures for Southwestern Child Development Commission per an agreement with NCDHHS and Southwestern Child Development Commission. This increased overall expenditures.

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**Financial Analysis of the County's Funds**

As noted earlier, Graham County, North Carolina used 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 fund balance available in the General Fund was \$2,930,371 while total fund balance reached \$3,743,307. The County currently has an available fund balance of 22.51% of general fund expenditures, while total fund balance represents 28.75% of the same amount. The Board of Commissioner is in the process of formulating a resolution setting a fund balance policy as a means of strengthening the financial position of the County.

At June 30, 2012, the governmental funds of Graham County reported a combined fund balance of \$4,083,510, a 29.94% increase over last year. The primary reason for this increase was attributed to increases in operating grants and other shared revenues and the increase in the property tax rate.

**General Fund Budgetary Highlights:** During the fiscal year, the County made several budget amendments to reflect several additional grants for the Health Department, EMS, and DSS. Other budget amendments were necessary as details of the fire loss coverage and rehabilitation of assets unfolded. Budget amendments were made concurrently as facts and circumstance became known with revenue and expenditure streams. Due to prevailing economic conditions in existence at the time of the adoption of the original budget, the County budgeted more conservatively based on uncertainties as to federal and state budget allocations which had not been finalized.

**Capital Asset and Debt Administration**

**Capital assets.** Graham County's capital assets for its governmental activities as of June 30, 2012, total \$7,609,963 (net of accumulated depreciation). These assets include land, construction in progress, buildings, equipment, and vehicles.

Major capital asset transactions during the year included:

- Purchase of 5 new police cruisers for the Sheriff Department.
- Purchase of a new ambulance from the 911 public safety funds.
- Purchase of three 2012 Chevrolet Equinox's for the Health Department (1) and the Department of Social Services (2). The vehicles were financed for three years.
- Purchase of equipment for Sheriff and Agriculture Extension to replace equipment destroyed by the fire from fire insurance proceeds.
- Purchase of a sanitation truck financed by a lease. An old truck was traded in for the new truck.
- Completed reconstruction of the Smith Howell Building which was damaged by a fire in 2010. Reconstruction was financed entirely by fire insurance proceeds.

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

Figure 4

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
Land	\$ 981,591	\$ 981,591
Construction in progress	32,400	18,585
Buildings	4,196,522	3,994,111
Other Improvements	921,558	963,517
Equipment	874,190	1,012,627
Vehicles	603,702	365,752
Total	<u>\$ 7,609,963</u>	<u>\$ 7,336,183</u>

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

**Long-term Debt.** As of June 30, 2012, Graham County, North Carolina had total bonded debt outstanding of \$2,600,000 all of which is debt backed by the full faith credit of the County.

**Graham County, North Carolina's Outstanding Debt**

Figure 5

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
General obligation bonds	\$ 2,600,000	\$ 2,790,000
Capital leases	201,382	178,004
Installment purchase	2,684,508	2,915,241
Total	<u>\$ 5,485,890</u>	<u>\$ 5,883,245</u>

Graham County, North Carolina's total debt decreased by \$397,355 (7%) during the current fiscal year. Graham County increased its net capital lease obligation by \$131,024. This decreased consisted of the capital lease obligation for the new garbage truck as well as the payoff of the garbage truck that was traded, in the amount of \$33,239 plus \$1,024 interest. Graham County's proceeds from installment purchases increased by \$70,461 for vehicle acquisition for the Health Department and the Department of Social Services. The primary factor in the net decrease in debt was the scheduled principal repayments.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Graham County is \$100,237,736.

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

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

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

Total revenue increase largely due to additional grant revenues and increases in total property taxes due to an increase in the property tax rate during fiscal 2011-12. Intense vigilance on the part of the Tax Collector in pursuing extended collection procedures with overdue taxes, including garnishment, debt setoff and attachment allowed the tax collections to increase. These actions will continue. While shared revenues from the State increased overall due to the increase in TVA PILT allotment, sales tax revenues declined significantly as a result of the downturn in the economy and as a result of changes in State formulas. The economy in the County for the fiscal year remained stagnant with some declines; therefore, the County did not experience any significant growth. The County continues to experience significant unemployment (averaging between 14-19%) which has impacted projections for property tax collections for the coming fiscal year. For these reasons, management budgeted conservatively to account for potential decreases in shared revenues and in property tax collections.

Management budgeted a small pay increase for County employees for fiscal 2012 and has begun to hire some additional employees only as necessary to increase efficiency in providing government services. The Finance Officer has also continued with a system of internal auditing, especially in departments drawing down federal and state funding to ensure both compliance with federal and state regulations, but also to determine that all revenue streams are being maximized. This will be an ongoing project. The County has also mandated stricter policies for spending to try to alleviate the projected declines in revenues expected for 2012.

**Requests for Information**

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@graham.nc.gov](mailto:becky.garland@graham.nc.gov) for more information.

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**BASIC FINANCIAL STATEMENTS**

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Graham County, North Carolina

Exhibit 1

Statement of Net Assets

June 30, 2012

	<u>Primary Government</u>
	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	3,273,203
Receivables (net)	582,210
Due from other governments	504,543
Due from related organization	3,251
Prepaid Items	259,129
Restricted assets - cash	568,649
Deferred charge - refunding	50,110
Long term lease receivable	784,654
Capital assets:	
Land, improvements, and construction in progress	1,013,991
Other capital assets, net of depreciation	<u>6,595,972</u>
Total capital assets	<u>7,609,963</u>
 Total assets	 <u><u>13,635,712</u></u>
<b><u>LIABILITIES</u></b>	
Accounts payable and accrued expenses	548,875
Unearned revenue	47,368
Deferred revenue - capital lease	784,654
Accrued interest payable	19,542
Long-term liabilities:	
Due within one year	586,473
Due in more than one year	<u>5,085,088</u>
Total long-term liabilities	<u>5,671,561</u>
 Total liabilities	 <u>7,072,000</u>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	5,835,712
Restricted for:	
Law Enforcement	6,731
Tax Revaluation	117,535
Transportation	43,025
Public Safety	33,452
Economic Development	206,758
Education	62,357
Register of Deeds	47,742
Stabilization by State Statute	912,929
Courts	23,319
Unrestricted (deficit)	<u>(725,848)</u>
Total net assets	<u><u>6,563,712</u></u>

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

**Graham County, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2012**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Total
<b>Primary government:</b>						
Governmental Activities:						
General government	\$ 2,161,011	\$ 73,050	\$ 14,503	\$ 1,102	\$ (2,072,356)	\$ (2,072,356)
Public safety	3,515,543	861,420	261,410	-	(2,392,713)	(2,392,713)
Transportation	463,130	13,099	207,143	35,594	(207,294)	(207,294)
Economic and physical development	655,897	142,778	142,086	400,000	28,967	28,967
Environmental protection	930,166	164,550	36,963	-	(728,653)	(728,653)
Human services	3,916,564	665,885	2,779,550	20,396	(450,733)	(450,733)
Cultural and recreation	301,834	46,969	54,692	2,820	(197,353)	(197,353)
Education	928,782	-	216,836	73,914	(638,032)	(638,032)
Interest on long-term debt	196,697	-	-	-	(196,697)	(196,697)
Total governmental activities	\$ 13,069,624	\$ 1,967,751	\$ 3,713,183	\$ 533,826	\$ (6,854,864)	\$ (6,854,864)

General revenues:

Taxes:

Property taxes, levied for general purpose	\$ 5,547,994
Local option sales tax	1,351,805
Other taxes and licenses	42,370
Grants and contributions not restricted to specific programs	1,122,166
Investment earnings, unrestricted	19,635
Miscellaneous, unrestricted	525,662
Transfers	-
Total general revenues and transfers	<u>8,609,632</u>
Change in net assets	<u>1,754,768</u>
Net assets, beginning	4,873,649
Prior period adjustment	(64,705)
Net assets, beginning	<u>4,808,944</u>
Net assets, ending	<u>\$ 6,563,712</u>

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

Graham County, North Carolina

Exhibit 3

Balance Sheet  
Governmental Funds  
June 30, 2012

	Major		Non-Major	Total Governmental Funds
	General	EDC Special Revenue Fund	Other Governmental Funds	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,273,203	\$ -	\$ -	\$ 3,273,203
Restricted cash	324,739	205,937	37,973	568,649
Receivables, net				
Taxes	492,745	-	-	492,745
Accounts	48,269	-	22,709	70,978
Capital lease receivable	-	784,654	-	784,654
Due from other governments	502,287	-	2,256	504,543
Due from other funds	-	-	75,028	75,028
Due from related organization	3,251	-	-	3,251
Prepaid items	259,129	-	-	259,129
<b>Total assets</b>	<b>\$ 4,903,623</b>	<b>\$ 990,591</b>	<b>\$ 137,966</b>	<b>\$ 6,032,180</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 548,009	\$ -	866	\$ 548,875
Due to other funds	72,194	100	2,734	75,028
Deferred revenue	492,745	-	-	492,745
Deferred revenue - capital lease	-	784,654	-	784,654
Unearned revenue	47,368	-	-	47,368
<b>Total liabilities</b>	<b>1,160,316</b>	<b>784,754</b>	<b>3,600</b>	<b>1,948,670</b>
Fund balances:				
Restricted:				
Register of deeds	47,742	-	-	47,742
Stabilization by state statute	812,936	-	99,993	912,929
Transportation	43,025	-	-	43,025
Law enforcement	6,731	-	-	6,731
Public safety	-	-	33,452	33,452
Economic development	-	205,837	921	206,758
School Capital	62,357	-	-	62,357
Courts	23,319	-	-	23,319
Committed:				
Tax Revaluation	117,535	-	-	117,535
Assigned				
Subsequent year's expenditures	-	-	-	-
Unassigned:				
Total fund balances	2,629,662	-	-	2,629,662
<b>Total liabilities and fund balances</b>	<b>\$ 4,903,623</b>	<b>\$ 990,591</b>	<b>\$ 137,966</b>	<b>\$ 6,032,180</b>

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

Graham County, North Carolina

Exhibit 3

Balance Sheet  
Governmental Funds  
June 30, 2012

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Total Fund Balance, Governmental Funds	4,083,510
Deferred charges related to current refunding bond issue	50,110
Interest receivable accrued on property taxes are not current financial resources and therefore are not reported in the funds	18,487
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,609,963
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	-
Liabilities for earned but deferred revenues in fund statements.	492,745
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	(19,542)
Long-term obligations	<u>(5,671,561)</u>
Net assets of governmental activities	<u>\$ 6,563,712</u>

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

Graham County, North Carolina

Exhibit 4

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2012

	Major		Non-Major	Total Governmental Funds
	General Fund	EDC Special Revenue Fund	Other Governmental Funds	
<b>REVENUES</b>				
Ad valorem taxes	\$ 5,390,444	\$ -	\$ -	\$ 5,390,444
Local option sales taxes	1,351,805	-	-	1,351,805
Other taxes and licenses	42,370	-	-	42,370
Unrestricted intergovernmental	1,122,166	-	-	1,122,166
Restricted intergovernmental	3,400,499	-	710,974	4,111,473
Other restricted revenue	131,003	133,387	-	264,390
Permits and fees	71,656	-	-	71,656
Sales and services	1,767,241	-	-	1,767,241
Investment earnings	5,651	13,589	235	19,475
Miscellaneous	519,997	5,665	-	525,662
Total revenues	<u>13,802,992</u>	<u>152,641</u>	<u>711,209</u>	<u>14,666,842</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,423,464	-	-	2,423,464
Public safety	3,155,792	-	344,781	3,500,573
Transportation	415,194	-	-	415,194
Environmental protection	964,222	-	-	964,222
Economic and physical development	146,166	7,987	507,183	661,336
Human services	3,941,518	-	14,780	3,956,298
Cultural and recreational	249,980	-	32,400	282,380
Intergovernmental:				
Education	928,782	-	-	928,782
Debt service:				
Principal	598,840	-	-	598,840
Interest	196,458	-	-	196,458
Total expenditures	<u>13,020,416</u>	<u>7,987</u>	<u>899,144</u>	<u>13,927,547</u>
Excess (deficiency) of revenues over expenditures	<u>782,576</u>	<u>144,654</u>	<u>(187,935)</u>	<u>739,295</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease obligations issued	131,024	-	-	131,024
Proceeds from long-term debt	70,461	-	-	70,461
Total other financing sources and uses	<u>201,485</u>	<u>-</u>	<u>-</u>	<u>201,485</u>
Net change in fund balance	984,061	144,654	(187,935)	940,780
Fund balance, beginning as previously reported	2,759,485	61,183	388,475	3,209,143
Prior Period Adjustment	(239)	-	(66,174)	(66,413)
Fund balance, beginning as restated	<u>2,759,246</u>	<u>61,183</u>	<u>322,301</u>	<u>3,142,730</u>
Fund balances, ending	<u>\$ 3,743,307</u>	<u>\$ 205,837</u>	<u>\$ 134,366</u>	<u>\$ 4,083,510</u>

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

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

**For the Year Ended June 30, 2012**

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

Net changes in fund balances - total governmental funds	\$ 940,780
<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	859,762
Depreciation	(585,982)
Impairment loss from fire	
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Change in ad valorem taxes and accrued interest receivable	157,550
<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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 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	(70,461)
Capital lease obligations	(131,024)
Debt service repayments	598,840
Amortization of debt issuance costs	(4,590)
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.	
Compensated absences	(14,458)
Gain (Loss) from disposal of fixed assets	-
Accrued interest payable	4,351
	<hr/>
Total changes in net assets of governmental activities	<u>\$ 1,754,768</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 -**

**General Fund and Annually Budgeted Major Special Revenue Fund - Budget and Actual**

**For the Fiscal Year Ended June 30, 2012**

	General Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Ad valorem taxes	\$ 5,444,301	\$ 5,535,301	\$ 5,390,444	\$ (144,857)
Local option sales taxes	979,733	979,733	1,351,805	372,072
Other taxes and licenses	50,974	50,974	42,370	(8,604)
Unrestricted intergovernmental	1,012,995	1,012,995	1,122,166	109,171
Restricted intergovernmental	2,333,746	3,322,241	3,400,499	78,258
Other restricted revenues	123,800	170,650	131,003	(39,647)
Permits and fees	57,003	57,003	71,656	14,653
Sales and services	1,522,925	1,656,925	1,767,241	110,316
Investment earnings	11,000	11,000	5,651	(5,349)
Miscellaneous	7,500	465,250	519,997	54,747
Total revenues	<u>11,543,977</u>	<u>13,262,072</u>	<u>13,802,832</u>	<u>540,760</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	2,117,014	2,562,768	2,412,377	150,391
Public safety	3,120,414	3,348,807	3,155,792	193,015
Transportation	410,523	445,523	415,194	30,329
Environmental protection	824,299	996,602	964,222	32,380
Economic and physical development	114,891	147,891	146,166	1,725
Human services	3,076,038	4,029,095	3,941,518	87,577
Cultural and recreational	250,347	262,847	249,980	12,867
Education	805,165	928,783	928,782	1
<b>Debt service:</b>				
Principal retirement	785,933	603,828	598,840	4,988
Interest and fees	14,353	196,458	196,458	-
Total expenditures	<u>11,518,977</u>	<u>13,522,602</u>	<u>13,009,329</u>	<u>513,273</u>
Revenues over (under) expenditures	<u>25,000</u>	<u>(260,530)</u>	<u>793,503</u>	<u>1,054,033</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	(25,000)	(25,000)	(25,000)	-
Capital lease obligations issued	-	210,461	131,024	(79,437)
Proceeds from long term debt issue	-	-	70,461	70,461
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>(25,000)</u>	<u>185,461</u>	<u>176,485</u>	<u>(8,976)</u>
Fund balance appropriated	-	75,069	-	(75,069)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>969,988</u>	<u>\$ 969,988</u>
Fund Balanced, beginning as previously reported			2,656,023	
Prior Period Adjustment			(239)	
Fund balance, beginning as restated			<u>2,655,784</u>	
Fund balance, ending			<u>\$ 3,625,772</u>	
A legally budgeted Tax Revaluation is consolidated into the General Fund for reporting purposes:				
Investment earnings			\$ 160	
Transfer in from General Fund			25,000	
Expenditures			<u>(11,087)</u>	
Fund Balance, Beginning			<u>103,462</u>	
Fund Balance, Ending (Exhibit 4)			<u>\$ 3,743,307</u>	

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

<b>EDC Special Revenue Fund</b>			
Original Budget	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	146,912	133,387	(13,525)
-	-	-	-
-	5,665	13,589	7,924
-	-	5,665	5,665
<u>\$ -</u>	<u>\$ 152,577</u>	<u>\$ 152,641</u>	<u>\$ 64</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	8,665	7,987	678
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	8,665	7,987	678
-	143,912	144,654	742
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ 143,912</u>	<u>144,654</u>	<u>\$ 742</u>

61,183  
\$ 205,837



**Graham County, North Carolina**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2012**

Exhibit 7

	<b>Agency Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 60,611
 <b>Liabilities and Net Assets</b>	
Liabilities:	
Miscellaneous liabilities	\$ 59,002
Due to Town of Robbinsville	995
Due to Town of Santeetlah	24
State of North Carolina	590
Total liabilities	\$ 60,611

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

**Graham County, North Carolina**  
**Notes to the Financial Statements**  
**For The Year Ended June 30, 2012**

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**I. Summary of Significant Accounting Policies**

The accounting policies of Graham County and its 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 component units of the County have no financial transactions or account balances; therefore, they do not appear in the financial statements.

**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 commissioners, all of whom are appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. The Authority does not issue separate financial statements.

*Graham County Rural Development Authority* - The Graham County Rural Development Authority (the "Authority") was created to 1) develop recreational facilities, 2) develop agricultural and forestry related processing and marketing facilities operated for public use, 3) to install, improve or maintain facilities contributing to economic development, and 4) provide safe and sanitary low cost housing. The Authority is governed by a five-member board of commissioners, all of whom are appointed by the county commissioners. The County can remove any commissioner of the Authority with cause. The Authority had no financial transactions or account balances during the fiscal year ended June 30, 2012; therefore, it is not presented in the basic financial statements. The Authority does not issue separate financial statements.

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

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

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

**B. Basis of Presentation, Basis of Accounting (continued)**

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

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

The County reports the following major governmental funds:

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

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

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

*Agency Funds*. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to the Graham County Board of Education and the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; the Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County; the Share the Warmth Fund, which accounts for monies held by the County to help families in the area struggling to pay for fuel/electricity; the 4-H Club Fund, which accounts for the monies deposited for the 4-H activities; the Yuletide Helpers Fund, which accounts for monies held by the County to purchase Christmas presents for needy children; and the Deed of Trust Fee Fund, which accounts for the various fees collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

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

**Measurement Focus, Basis of Accounting**

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

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

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. As of June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Graham County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County.

For registered motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March, 2011 through February, 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

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.

Per 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 assets 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.

All governmental funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**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 Fund, 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 functional 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, and Fund Equity****1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

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

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2011. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

**5. Allowances for Doubtful Accounts**

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

**6. Inventories and Prepaid Items**

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

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

**7. Capital Assets**

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

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

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

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

Land and construction in progress are not depreciated.

**8. 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 assets.

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

**9. 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.

**10. Net Assets/Fund Balances****Net Assets**

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent 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 styles classify fund balance as follows:

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

*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 by State Statute (G.S. 159-8 (a)).

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

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

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

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

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

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

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

**10. Net Assets/Fund Balances (continued)**

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

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

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

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

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

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

Graham County does not have a formal fund balance policy.

**11. Reclassifications**

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

**12. Major Taxpayer**

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

**13. Prior Period Adjustment**

Graham County has determined that certain transactions and balances needed to be reclassified to reflect a change in the reporting for certain component units or transfers of fund balance for changes in statutory requirements.

*Fund Balance* : The fund balance of the Emergency Telephone System Fund was overstated at June 30, 2011 in the amount of \$66,174 due to unexpended revenues derived from the 911 Board before the Wireless 911 system was enacted. According to guidelines released by the 911 Board, these funds should have been transferred from the Emergency Telephone System Fund to the General Fund of the County. These funds were added to the General Fund with a corresponding reduction in the Emergency Telephone System Fund at June 30, 2012 through a prior period adjustment.

Emergency Telephone System Fund Balance Previously	\$	387,603
Adjustment for General Fund	<u>(66,174)</u>	
Net Prior Period Adjustment		<u>(66,174)</u>
Emergency Telephone System Fund Balance As Restated	<u>\$</u>	<u>321,429</u>



**13. Prior Period Adjustment (continued)**

*Fund Balance* : At July 1, 2011, the Graham County Board of Commissioners created a separate Travel and Tourism Authority for which there is no sharing of financial benefits or burdens between the entities. The fund balance of \$66,413, that was part of the General Fund at June 30, 2011, was transferred into the related organization, which reduced the General Fund Fund Balance by that amount. The Travel and Tourism reports its activity in separate audited financial statements in accordance with GASB 14 as amended by GASB 39 and 61.

General Fund Balance Previously Reported		\$ 2,759,485
Adjustment for Travel and Tourism Authority	(66,413)	
Adjustment for Emergency Telephone System Fund	<u>66,174</u>	
Net Prior Period Adjustment		<u>(239)</u>
General Fund Balance As Restated		<u>\$ 2,759,246</u>

*Governmental Activities*: In the Government-Wide statements long term debt was overstated in the prior year by \$7,566. A loan was inadvertently reported that had been paid in full. Additionally, net capital assets were overstated by \$5,856 due to the aforementioned separation of the Travel and Tourism Authority. The restatement to long term debt, net capital assets, and the aforementioned fund balance adjustment for the Travel and Tourism Authority decreased Net Assets by \$64,705.

Net Assets as Previously Reported		\$ 4,873,649
Rounding Adjustment	(2)	
Fund Balance Adjustment for Travel and Tourism Authority	(66,413)	
Adjustment for Overstatement of Long Term Debt	7,566	
Adjustment for Overstatement of Capital Assets	<u>(5,856)</u>	
Net Prior Period Adjustment		<u>(64,705)</u>
Net Assets as Restated		<u>\$ 4,808,944</u>

**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 assets.**

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$2,480,202 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)	\$ 12,533,581
Less accumulated depreciation	<u>(4,923,618)</u>
Net capital assets	7,609,963
Deferred charges related to advance refunding bond issued - included on government-wide statement of net assets but are not current financial resources	50,110
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements	18,487
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide statements	492,745
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(5,485,890)
Compensated absences	(185,671)
Accrued interest payable	<u>(19,542)</u>
Total adjustment	<u><u>\$ 2,480,202</u></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 assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$813,998 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$	859,762
Cost of disposed capital asset not recorded in fund statements		-
Impairment loss on capital asset not recorded in fund statements		-
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		(585,982)
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 assets		(201,485)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements		598,840
Expenses reported on fund statements that are capitalized on government-wide statements, bond issuance and refunding costs		
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements		
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)		4,351
Amortization of refunding costs not recorded on fund statements		(4,590)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources		(14,458)
Other postemployment benefits		
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.		
Increase in deferred tax revenue at end of year		151,983
Gain (loss) disposal of fixed assets		-
Increase in accrued taxes receivable at end of year		5,567
Total adjustment	<u>\$</u>	<u>813,988</u>

**II. Stewardship, Compliance, and Accountability****A. Excess Bond Coverage**

G.S. 161-4(a) requires every register of deeds to give bond with sufficient surety to be approved by the board of county commissioners, in a sum of not less than \$10,000 nor more than \$50,000. During the fiscal year Graham County had a \$100,000 bond for the Register of Deeds. This amount is in excess of the statutory limit.

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

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

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

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

At year-end, the County's deposits had a carrying amount of \$3,902,462 and a bank balance of \$5,320,714. Of the bank balance, \$384,731 was covered by federal depository insurance and \$3,308,856 was covered by collateral held under the Pooling Method. The County has petty cash on hand at June 30, 2012, in the amount of \$401.

**2. Receivables**

Receivables at the government-wide level at June 30, 2012, were as follows:

	<b>Taxes and Related Accrued Interest</b>	<b>Landfill Fees</b>	<b>Other</b>	<b>Total</b>
Governmental Activities:				
General	\$ 729,831	\$ 7,991	\$ 48,270	\$ 786,092
Other governmental	-	-	22,709	22,709
	<u>729,831</u>	<u>7,991</u>	<u>70,979</u>	<u>808,801</u>
Less: Allowance for doubtful accounts	218,600	7,991	-	226,591
Total governmental activities	<u>\$ 511,231</u>	<u>\$ -</u>	<u>\$ 70,979</u>	<u>\$ 582,210</u>

**3. Capital Assets**

Capital assets activity for the year ended June 30, 2012, was as follows:

	<b>Beginning Balances As Restated</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfer s</b>	<b>Ending Balances</b>
Land	\$ 981,591	\$ -	\$ -	\$ -	\$ 981,591
Construction in progress	18,585	32,400		(18,585)	32,400
Total capital assets not being depreciated	<u>1,000,176</u>	<u>32,400</u>	<u>-</u>	<u>(18,585)</u>	<u>1,013,991</u>
Capital assets being depreciated					
Buildings	5,016,096	326,597		18,585	5,361,278
Other improvements	1,047,354	-		-	1,047,354
Equipment	2,341,584	77,240		-	2,418,824
Vehicles	2,459,284	423,525	190,675	-	2,692,134
Total capital assets being depreciated	<u>10,864,318</u>	<u>827,362</u>	<u>190,675</u>	<u>18,585</u>	<u>11,519,590</u>
Less accumulated depreciation for:					
Buildings	1,021,985	142,771	-	-	1,164,756
Other improvements	83,837	41,959	-	-	125,796
Equipment	1,328,957	215,677	-	-	1,544,634
Vehicles	2,093,532	185,575	190,675	-	2,088,432
Total accumulated depreciation	<u>4,528,311</u>	<u>585,982</u>	<u>190,675</u>	<u>-</u>	<u>4,923,618</u>
Total capital assets being depreciated	<u>6,336,007</u>	<u>241,380</u>	<u>-</u>	<u>18,585</u>	<u>6,595,972</u>
Governmental activities capital assets, net	<u>\$ 7,336,183</u>	<u>\$ 273,780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,609,963</u>

**3. Capital Assets (continued)**

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

General government	\$ 65,801
Public safety	279,800
Transportation	48,420
Economic and physical development	891
Environmental protection	34,181
Human services	103,101
Cultural and recreational	<u>53,788</u>
<b>Total depreciation expense</b>	<b><u>\$ 585,982</u></b>

The County has one active construction project as of June 30, 2012. The project under construction is the Transit Facility for which ground breaking occurred in July 2012. The amount of the commitment to the contractor for the project was \$ 615,860. for which no funds had been expended to the contractor at June 30, 2012. The County was still in the preconstruction phase of the Senior Center project for which no contracts had been bid at June 30, 2012.

**B. Liabilities**

**1. Payables**

Payables at the government-wide and fund level for June 30, 2012, were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
General	\$ 276,409	\$ 271,600	\$ 548,009
Other governmental	866	-	866
Total-governmental activities	<u>\$ 277,275</u>	<u>\$ 271,600</u>	<u>\$ 548,875</u>

**2. Pension Plan and Other Postemployment Obligations**

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

*Plan Description:* Graham County contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy:* Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. The current rate for general employees not engaged in law enforcement, for Department of Social Services employees, for Health Department employees, and for law enforcement officers is 11.72%, 7.01%, 6.94%, and 11.88%, respectively, of annual covered payroll. The contribution requirements of members and/or Graham County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$393,385, \$370,302, and \$296,461, respectively. The contributions made by the County equaled the required contributions for each year.

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

**1. *Plan Description***

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2011, the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan.

**2. *Summary of Significant Accounting Policies***

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

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

**3. *Contributions***

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The County has not obtained an actuarial valuation for the plan because its required contributions are considered immaterial.

**c. Supplement Retirement Income Plan for Law Enforcement Officers**

*Plan Description:* The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy:* Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012 were \$20,406, which consisted of \$20,406 from the County and \$0 from the law enforcement officers.

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

*Plan Description:* Graham County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy:* On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2012, the County's required and actual contributions were \$499.

**e Other Post-Employment Benefits**

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



**f Other Employment Benefits**

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

The County has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions.

The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount. The County considers these contributions to be immaterial.

**3. Deferred / Unearned Revenues**

The balance in deferred/unearned revenues on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	<b>Deferred Revenue</b>	<b>Accrual Adjustments</b>	<b>Unearned Revenue</b>
Taxes receivable (net)	\$ 492,745	\$ (492,745)	\$ -
Prepaid taxes	47,368	-	47,368
	<u>\$ 540,113</u>	<u>\$ (492,745)</u>	<u>\$ 47,368</u>

Graham County entered into a long term capital lease agreement with Stanley Furniture Company, Inc. whereby Stanley is purchasing equipment from Graham County that was funded through a grant from Golden Leaf Foundation. The lease terms require payments over a period of 84 months which began in March, 2011. In accordance with GASB 34, the lease receivable has been included on both the Government-Wide Balance Sheet and the Statement of Net Assets with a corresponding deferral of the lease receivable in the liabilities portion of both statements. The total outstanding portion of the lease receivable at June 30, 2012 was \$784,654 which is likewise disclosed as deferred revenue.

**4. Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of, assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance for these risks of loss. The County has obtained property coverage equal to replacement cost values of owned property subject to a limit of \$13,344,633 for any one occurrence, general, auto, and professional liability at \$2 million per occurrence and employment practices liability of \$1 million per occurrence, auto physical damage for owned autos at actual cash value, crime coverage of \$500,000 per occurrence, worker's compensation up to the statutory limits, and health and dental insurance for County employees. The County is also covered up to \$1 million for flood and earthquake damage.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more of the County's funds at any given time are performance bonded through a commercial surety bond. The finance officer, tax collector and register of deeds are individually bonded for \$100,000, \$100,000, and \$25,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

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

**5. Contingent Liabilities**

At June 30, 2012, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

**6. Long-Term Obligations**

**a. Capital Leases**

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

<b>Governmental Activities</b>				
<u>Description</u>	<u>Date of Maturity</u>	<u>Rate</u>	<u>Original Amount</u>	<u>Ending Balance</u>
Network Lease	09/15/12	3.51%	\$ 87,571	\$ 4,763
911 System	10/01/12	3.93%	150,000	32,356
Garbage Truck	04/10/17	3.43%	164,263	164,263
			<u>\$ 401,834</u>	<u>\$ 201,382</u>

The assets acquired through capital leases are as follows:

Asset:		
Vehicles		\$ 347,232
Equipment		527,994
Less: Accumulated depreciation		<u>(581,423)</u>
Total		<u>\$ 293,803</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, are as follows:

Year ending June 30,	<b>Governmental Activities</b>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 67,761	\$ 7,024
2014	31,709	4,656
2015	32,814	3,551
2016	33,957	2,408
2017	35,141	1,224
	<u>\$ 201,382</u>	<u>\$ 18,863</u>

**b. Installment Purchases**

The County has entered into several installment purchase contracts. Installment purchase contracts outstanding at June 30, 2012, are as follows:

<b>Contract Description</b>	<b>Date of Issue</b>	<b>Date of Maturity</b>	<b>Terms</b>	<b>Governmental Activities</b>	
				<b>Original Amount</b>	<b>Ending Balances</b>
Transfer Station	09/12/03	09/12/14	of \$38,401 and one final payment of \$19,281, including interest at 5.07%	\$ 1,075,218	\$ 172,408
Vehicle Acquisition	02/13/12	02/13/15	3 annual payments of \$25,511.08, including interest at 4.25%	70,461	70,461
QZAB-Education	09/13/05	09/13/21	16 annual principal payments of \$84,394, and one payment of \$267,704 due 9/13/21; interest at 0%.	1,618,000	1,111,639
Health Department/EMS Building	11/21/06	11/21/21	30 semi-annual principal payments of \$70,000; plus interest at 4.4%	2,100,000	1,330,000
				<u>\$ 4,863,679</u>	<u>\$ 2,684,508</u>

Annual debt service requirements to maturity for installment purchase contracts are as follows:

Year Ending June 30,	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2013	\$ 323,712	\$ 67,873
2014	324,667	56,848
2015	267,670	46,279
2016	224,393	38,588
2017	224,394	32,414
2018-2022	1,319,672	69,458
	<u>\$ 2,684,508</u>	<u>\$ 311,460</u>

**c. General Obligation Bonds**

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

General obligation bonds:

\$4,275,000 2005 Advance Refunding Bonds due in annual installments beginning June 1, 2005, of varying amounts ranging from \$165,000 to \$265,000 through June 1, 2023, with interest rates varying from 2.5% to 4.5%.

\$ 2,600,000

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

Year Ending June 30,	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2013	\$ 195,000	\$ 107,256
2014	205,000	100,432
2015	210,000	93,000
2016	220,000	85,126
2017	230,000	76,326
2018-2022	1,275,000	230,028
2023-2025	265,000	17,888
	<b><u>\$ 2,600,000</u></b>	<b><u>\$ 710,056</u></b>

**d. Long-Term Obligation Activity**

	<b>Beginning Balances As Restated</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance s</b>	<b>Due Within One Year</b>
General Obligation Bonds	\$ 2,790,000	\$ -	\$ 190,000	\$ 2,600,000	\$ 195,000
Capital Leases	178,004	131,024	107,646	201,382	67,761
Installment Purchases	2,915,241	70,461	301,194	2,684,508	323,712
Compensated Absences	171,213	268,248	253,790	185,671	-
<b>Total</b>	<b><u>\$ 6,054,458</u></b>	<b><u>\$ 469,733</u></b>	<b><u>\$ 852,630</u></b>	<b><u>\$ 5,671,561</u></b>	<b><u>\$ 586,473</u></b>

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, 2012, Graham County had a legal debt margin of \$100,237,736.

Capital Assets, Net of Related Debt

Capital Assets, net of related debt at June 30, 2012, are computed as follows:

Capital assets, net of accumulated depreciation	\$ 7,609,963
Less capital debt:	
Gross debt (excluding compensated	5,485,890
Less:	
School debt related to assets to which the County	3,711,639
does not hold title	
Unexpended debt proceeds	-
Net Capital debt	<u>1,774,251</u>
Capital Assets, net of related debt	<u>\$ 5,835,712</u>

**C. Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2012 consisted of the following:

From the General Fund to the Revaluation Fund for operating purposes	<u>\$ 25,000</u>
	<u>\$ 25,000</u>

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

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2012, the County reported these local option sales taxes within its General Fund. The County expended the restricted portion of these taxes to retire public school indebtedness.

**E. Fund Balance**

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

**E. Fund Balance (continued)**

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>\$ 3,743,307</b>
Less:	
Stabilization by State Statute	812,936
Appropriated Fund Balance in 2013 budget	-
Register of Deeds	47,742
Transportation	43,025
Law Enforcement	6,731
School Capital	62,357
Courts	23,319
Tax Revaluation	117,535
<b>Remaining Fund Balance</b>	<b>\$ 2,629,662</b>

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

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

**IV. Related Organization**

The chairman of the County's governing board is also responsible for appointing the members of the board of the Graham County Travel and Tourism Authority, but the County's accountability for this organization does not extend beyond making these appointments. The Authority is established by General Statute that exists to develop and promote tourism activities in the County. It is funded primarily with occupancy tax.

**V. Joint Ventures**

The County participates in a joint venture to operate the Nantahala Regional Library (Library) with five other local governments. Each participating county may 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, 2012. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$64,500 to the Library to supplement its activities. Complete financial statements for the Library may be obtained from the Library's offices at 101-A Blumenthal Street, Murphy, NC, 28906.

**VI. Jointly Governed Organizations**

The County, in conjunction with seven other counties and fifteen municipalities, established the Southwestern N.C. Planning and Economic Development Commission (Commission). The participating governments established the Commission to coordinate funding received from various federal and State agencies. Each participating government appoints one member to the Commission's forty-four member governing board. The County paid membership fees of \$6,181 to the Commission during the fiscal year ended June 30, 2012.

The County, in conjunction with seven other counties, established the Smoky Mountain Mental Health Center (Center). The participating governments established the Center to provide mental health services to the western region of North Carolina. Each participating government appoints one member to the Center's governing board. The County contributed \$6,000 to the Center during the fiscal year ended June 30, 2012.

**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	\$ 28,301	\$ -
Medicaid	10,276,702	6,006,668
Food Stamp Program	2,273,067	-
WIC	251,183	-
SC/SA Domiciliary Care	-	121,987
Low Income Energy Assistance	17,590	-
IV-E Foster Care Assistance	44,922	14,957
IV-E Adopt Subsidy and Vendor	63,250	16,251
State Foster Care	-	46,581
	<u>\$ 12,955,015</u>	<u>\$ 6,206,444</u>

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

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

**IV. Significant Effects of Subsequent Events**

The lawsuit with Swain County, North Carolina regarding the split of TVA PILT funds for the Fontana Dam was settled out of court in May 2012. Following settlement of the lawsuit, legislation was passed fixing the county lines which determine the calculation of the PILT allocations between the two counties. The North Carolina Department of Revenue contacted both counties shortly before issuance of the audit report. Graham County will lose approximately \$13,000 per month in PILT funds from TVA as passed through the North Carolina Department of Revenue. This loss per month was considered in the 2012-13 budget.

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Combining and Individual Fund  
Financial Statements Section

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## **GENERAL FUND**

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The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund. The Revaluation Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented for informational purposes only.

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**Graham County, North Carolina**

**General Fund**

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

**For the Fiscal Year Ended June 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
<b>Ad valorem taxes:</b>			
Current year taxes		\$ 5,175,515	
Prior year taxes		163,848	
Penalties and interest		51,081	
Total	<u>\$ 5,535,301</u>	<u>5,390,444</u>	<u>\$ (144,857)</u>
<b>Local option sales taxes:</b>			
Local option sales tax		1,206,544	
Medicaid Hold		145,261	
Total	<u>979,733</u>	<u>1,351,805</u>	<u>372,072</u>
<b>Other taxes and licenses:</b>			
Register of Deeds - excise tax		42,370	
Total	<u>50,974</u>	<u>42,370</u>	<u>(8,604)</u>
<b>Unrestricted intergovernmental revenues:</b>			
Payments in lieu of taxes		1,118,840	
Cable franchise fees		3,326	
Total	<u>1,012,995</u>	<u>1,122,166</u>	<u>109,171</u>
<b>Restricted intergovernmental revenues:</b>			
State grants		2,462,448	
Federal grants		923,711	
Local grants		250	
Court facility fees		394	
Scrap tire disposal fee		10,919	
White goods disposal fee		2,777	
Total restricted intergovernmental revenues	<u>3,322,241</u>	<u>3,400,499</u>	<u>78,258</u>
<b>Other restricted revenues:</b>			
Private grants & contributions		131,003	
Total other restricted revenues	<u>170,650</u>	<u>131,003</u>	<u>(39,647)</u>
<b>Permits and fees:</b>			
Building permits		30,455	
Register of deeds		34,276	
Health department well permits		6,925	
Total licenses and permits	<u>57,003</u>	<u>71,656</u>	<u>14,653</u>

**Graham County, North Carolina**

**General Fund**

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

**For the Fiscal Year Ended June 30, 2012**

	<u>Final Budget</u>	Actual	<u>Variance Positive (Negative)</u>
<b>Revenues (continued):</b>			
<b>Sales and services:</b>			
Rents, concessions, and fees		844,643	
Jail fees		3,015	
Ambulance fees		766,800	
Home health		33,645	
Tipping fees		71,524	
Sanitation fees		314	
Recycling revenue		16,150	
Sheriff fees		31,150	
Total	<u>1,656,925</u>	<u>1,767,241</u>	<u>110,316</u>
<b>Investment earnings:</b>	<u>11,000</u>	<u>5,651</u>	<u>(5,349)</u>
<b>Miscellaneous:</b>			
Miscellaneous	<u>465,248</u>	<u>519,997</u>	<u>54,749</u>
Total revenues	<u>13,262,070</u>	<u>13,802,832</u>	<u>540,762</u>
<b>Expenditures:</b>			
<b>General government:</b>			
Governing body:			
Salaries and employee benefits		115,095	
Operating expenditures		102,240	
Contracted services		38,390	
Miscellaneous contributions		4,000	
Contingency fund		1,290	
Total	<u>296,656</u>	<u>261,015</u>	<u>35,641</u>
Administration:			
Salaries and employee benefits		58,010	
Operating expenditures		324,458	
Insurance - general		203,527	
Capital outlay		269,721	
Contracted services		7,354	
Total	<u>922,435</u>	<u>863,070</u>	<u>59,365</u>
Board of Elections:			
Salaries and employee benefits		81,517	
Operating expenditures		26,845	
Total	<u>110,313</u>	<u>108,362</u>	<u>1,951</u>

**Graham County, North Carolina**

**General Fund**

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

**For the Fiscal Year Ended June 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>General government (continued):</b>			
District court:			
Operating expenditures		17,381	
Contracted services		5,733	
Capital Outlay		30,948	
Total	<u>79,882</u>	<u>54,062</u>	<u>25,820</u>
Finance:			
Salaries and employee benefits		159,684	
Operating expenditures		4,886	
Contracted services		54,753	
Total	<u>221,059</u>	<u>219,323</u>	<u>1,736</u>
Tax listing and supervision:			
Salaries and employee benefits		82,451	
Operating expenditures		8,006	
Contracted services		36,243	
Total	<u>135,398</u>	<u>126,700</u>	<u>8,698</u>
Tax collector:			
Salaries and employee benefits		75,963	
Operating expenditures		14,028	
Total	<u>93,136</u>	<u>89,991</u>	<u>3,145</u>
Tax mapping:			
Salaries and employee benefits		61,194	
Operating expenditures		8,583	
Contracted services		42,705	
Total	<u>114,539</u>	<u>112,482</u>	<u>2,057</u>
Register of deeds:			
Salaries and employee benefits		83,354	
Operating expenditures		49,850	
Contracted services		20,843	
Total	<u>156,708</u>	<u>154,047</u>	<u>2,661</u>
Public buildings:			
Salaries and employee benefits		117,348	
Operating expenditures		113,745	
Capital outlay		36,265	
Contracted services		19,873	
Total	<u>293,466</u>	<u>287,231</u>	<u>6,235</u>

**Graham County, North Carolina**

**General Fund**

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

**For the Fiscal Year Ended June 30, 2012**

	<u>Final Budget</u>	Actual	<u>Variance Positive (Negative)</u>
<b>General government (continued):</b>			
Vehicle maintenance:			
Salaries and employee benefits		34,572	
Operating expenditures		7,637	
Contracted services		90	
Total	<u>43,863</u>	<u>42,299</u>	<u>1,564</u>
Computer support:			
Salaries and employee benefits		56,018	
Operating expenditures		25,577	
Contracted services		12,200	
Total	<u>95,311</u>	<u>93,795</u>	<u>1,516</u>
<b>Total general government</b>	<b><u>2,562,766</u></b>	<b><u>2,412,377</u></b>	<b><u>150,389</u></b>
<b>Public safety:</b>			
Sheriff department:			
Salaries and employee benefits		690,931	
Operating expenditures		173,192	
Contracted services		85,083	
Capital outlay		24,300	
Total	<u>1,053,344</u>	<u>973,506</u>	<u>79,838</u>
Jail:			
Salaries and employee benefits		374,025	
Operating expenditures		112,359	
Contracted services		143,478	
Total	<u>682,726</u>	<u>629,862</u>	<u>52,864</u>
Ambulance service:			
Salaries and employee benefits		687,010	
Operating expenditures		148,754	
Contracted services		16,488	
Total	<u>854,325</u>	<u>852,252</u>	<u>2,073</u>

**Graham County, North Carolina**

**General Fund**

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

**For the Fiscal Year Ended June 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Public safety (continued):</b>			
Civil preparedness:			
Salaries and employee benefits		90,082	
Operating expenditures		31,324	
Contracted services		1,442	
Total	<u>148,313</u>	<u>122,848</u>	<u>25,465</u>
Communications:			
Salaries and employee benefits		206,397	
Operating expenditures		1,966	
Contracted services		3,943	
Total	<u>216,132</u>	<u>212,306</u>	<u>3,826</u>
Criminal Justice:			
Salaries and employee benefits		13,882	
Operating expenditures		3,736	
Contracted services		19,412	
Total	<u>48,609</u>	<u>37,030</u>	<u>11,579</u>
Building inspector:			
Salaries and employee benefits		75,156	
Operating expenditures		10,582	
Total	<u>91,802</u>	<u>85,738</u>	<u>6,064</u>
EMS billing:			
Salaries and employee benefits		9,586	
Operating expenditures		1,055	
Contracted services		17,023	
Total	<u>30,218</u>	<u>27,664</u>	<u>2,554</u>
Contributions to rescue squad	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Contributions to fire departments	<u>149,712</u>	<u>149,712</u>	<u>-</u>
Juvenile Crime Prevention Council:			
Contribution to Graham County Schools	<u>68,627</u>	<u>59,874</u>	<u>8,753</u>
<b>Total public safety</b>	<b><u>3,348,807</u></b>	<b><u>3,155,792</u></b>	<b><u>193,015</u></b>

**Graham County, North Carolina**

**General Fund**

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

**For the Fiscal Year Ended June 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Transportation:</b>			
DOT transportation development grant			
Grant administrative expenditures:			
Salaries and employee benefits		99,808	
Operating expenditures		26,388	
Capital outlay		3,551	
Total	<u>152,711</u>	<u>129,747</u>	<u>22,964</u>
 DOT transportation development grant			
Grant operating expenditures:			
Salaries and employee benefits		222,700	
Operating expenditures		62,746	
Total	<u>292,812</u>	<u>285,446</u>	<u>7,366</u>
 <b>Total transportation</b>	 <b><u>445,523</u></b>	 <b><u>415,194</u></b>	 <b><u>30,329</u></b>
<b>Environmental protection:</b>			
Conservation program:			
Salaries and employee benefits		26,472	
Operating expenditures		9,493	
Total	<u>38,258</u>	<u>35,965</u>	<u>2,293</u>
 Sanitary landfill:			
Salaries and employee benefits		178,638	
Operating expenditures		195,867	
Capital outlay		138,314	
Tipping fees		212,304	
Total	<u>737,830</u>	<u>725,123</u>	<u>12,707</u>
 Cemetery:			
Salaries and employee benefits		128,389	
Operating expenditures		31,598	
Total	<u>162,904</u>	<u>159,987</u>	<u>2,917</u>
 Forest Service Contribution	 <u>57,610</u>	 <u>43,147</u>	 <u>14,463</u>
 <b>Total environmental protection</b>	 <b><u>996,602</u></b>	 <b><u>964,222</u></b>	 <b><u>32,380</u></b>

**Graham County, North Carolina**

**General Fund**

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

**For the Fiscal Year Ended June 30, 2012**

	<u>Final Budget</u>	Actual	<u>Variance Positive (Negative)</u>
<b>Economic and physical development:</b>			
Agricultural and home economics:			
Salaries and employee benefits		83,729	
Operating expenditures		14,500	
Capital outlay		6,330	
Total	<u>106,210</u>	<u>104,559</u>	<u>1,651</u>
4-H:			
Operating expenditures	<u>12,000</u>	<u>11,926</u>	<u>74</u>
Contributions:			
Economic development commission		6,181	
Stecoah Valley center		10,000	
Industrial Opportunities		11,000	
Special Olympics		2,500	
Total	<u>29,681</u>	<u>29,681</u>	<u>-</u>
<b>    Total economic and physical     development</b>	<b><u>147,891</u></b>	<b><u>146,166</u></b>	<b><u>1,725</u></b>
<b>Human services:</b>			
Health department:			
Communicable diseases:			
Salaries and employee benefits		14,252	
Operating expenditures		1,541	
Total		<u>15,793</u>	
Child health:			
Salaries and employee benefits		82,627	
Operating expenditures		1,625	
Total		<u>84,252</u>	



**Graham County, North Carolina**

**General Fund**

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

**For the Fiscal Year Ended June 30, 2012**

	<u>Final Budget</u>	Actual	<u>Variance Positive (Negative)</u>
Health department (continued):			
Maternal health:			
Salaries and employee benefits		35,245	
Operating expenditures		<u>84</u>	
Total		<u>35,329</u>	
Mountain Top health care clinic			
Salaries and employee benefits		19,106	
Operating expenses		16,258	
Contracted services		<u>9,609</u>	
Total		<u>44,973</u>	
ITB:			
Salaries and employee benefits		1,400	
Operating expenditures		<u>45</u>	
Total		<u>1,445</u>	
Family planning:			
Salaries and employee benefits		73,699	
Operating expenditures		<u>11,921</u>	
Total		<u>85,620</u>	
Health promotions:			
Salaries and employee benefits		36,146	
Operating expenditures		<u>1,092</u>	
Total		<u>37,238</u>	
Environmental health:			
Salaries and employee benefits		80,959	
Operating expenditures		<u>139,984</u>	
Total		<u>220,943</u>	
HIV/STD:			
Salaries and employee benefits		<u>1,059</u>	
BCCP:			
Salaries and employee benefits		14,863	
Operating expenses		<u>8,250</u>	
Total		<u>23,113</u>	

**Graham County, North Carolina**

**General Fund**

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

**For the Fiscal Year Ended June 30, 2012**

	<u>Final Budget</u>	Actual	<u>Variance Positive (Negative)</u>
Health department (continued):			
Dental:			
Salaries and employee benefits		275,307	
Operating expenses		<u>54,233</u>	
Total		<u>329,540</u>	
Child service coordination:			
Salaries and employee benefits		34,074	
Operating expenses		<u>94</u>	
Total		<u>34,168</u>	
General:			
Salaries and employee benefits		41,070	
Operating expenses		26,053	
Contracted services		81	
Capital outlay		<u>23,487</u>	
Total		<u>90,691</u>	
IAP5.278:			
Salaries and employee benefits		<u>7,845</u>	
Total		<u>7,845</u>	
Smart Start:			
Salaries and employee benefits		<u>21,274</u>	
Total		<u>21,274</u>	
WIC:			
Salaries and employee benefits		<u>82,996</u>	
Total		<u>82,996</u>	
Health department food and lodging:			
Salaries and employee benefits		7,272	
Operating expenses		<u>862</u>	
Total		<u>8,134</u>	
Adult health:			
Salaries and employee benefits		69,773	
Operating expenses		<u>68,165</u>	
Total		<u>137,938</u>	
Diabetes today:			
Salaries and employee benefits		4,186	
Operating expenses		<u>875</u>	
Total		<u>5,061</u>	

**Graham County, North Carolina**

**General Fund**

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

**For the Fiscal Year Ended June 30, 2012**

	<u>Final Budget</u>	Actual	<u>Variance Positive (Negative)</u>
Health department (continued):			
Kate B. Reynolds Grant			
School Nurse Project:			
Salaries and employee benefits		96,475	
Operating expenses		7,749	
Medical director fees		2,667	
Total		<u>106,891</u>	
Bioterrorism grant:			
Salaries and employee benefits		38,936	
Operating expenses		3,167	
Total		<u>42,103</u>	
<b>Total Health Department</b>	<b><u>1,470,501</u></b>	<b><u>1,416,406</u></b>	<b><u>54,095</u></b>
CAP:			
Salaries and employee benefits		120,955	
Operating expenses		54,396	
Total CAP	<u>176,935</u>	<u>175,351</u>	<u>1,584</u>
Veterans Service Officer:			
Salaries and employee benefits	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Social services:			
Administration:			
Salaries and employee benefits		889,036	
Capital outlay		55,654	
Operating expenses		263,426	
Total	<u>1,209,349</u>	<u>1,208,116</u>	<u>1,233</u>

**Graham County, North Carolina**

**General Fund**

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

**For the Fiscal Year Ended June 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public assistance:			
Medical assistance		6,797	
Work first		632,890	
Foster care		3,940	
Special assistance		124,627	
Crisis intervention		27,803	
Foster care - clothing		141,223	
Total	<u>946,148</u>	<u>937,280</u>	<u>8,868</u>
<b>    Total social services</b>	<b><u>2,155,497</u></b>	<b><u>2,145,396</u></b>	<b><u>10,101</u></b>
Senior citizens program:			
Salaries and employee benefits		93,785	
Operating expenses		23,591	
Contracted services		76,986	
Total senior citizens program	<u>216,162</u>	<u>194,362</u>	<u>21,800</u>
Contributions to:			
Regional mental health		6,000	
Total contributions	<u>6,000</u>	<u>6,000</u>	<u>-</u>
<b>    Total human services</b>	<b><u>4,029,095</u></b>	<b><u>3,941,518</u></b>	<b><u>87,577</u></b>
<b>Cultural and recreational:</b>			
Recreation:			
Salaries and employee benefits		80,653	
Operating expenditures		54,947	
Contracted services		14,645	
Total	<u>155,666</u>	<u>150,245</u>	<u>5,421</u>
Swimming pool:			
Salaries and employee benefits		16,387	
Operating expenditures		17,026	
Contracted services		1,822	
Total	<u>42,681</u>	<u>35,235</u>	<u>7,446</u>

**Graham County, North Carolina**

**General Fund**

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

**For the Fiscal Year Ended June 30, 2012**

	<u>Final Budget</u>	Actual	<u>Variance Positive (Negative)</u>
<b>Cultural and recreation (continued):</b>			
Contributions to regional library	<u>64,500</u>	<u>64,500</u>	<u>-</u>
<b>Total cultural and recreation</b>	<b><u>262,847</u></b>	<b><u>249,980</u></b>	<b><u>12,867</u></b>
<b>Education:</b>			
Public schools - current		570,000	
Public schools - capital outlay		-	
Public schools - capital outlay lottery		73,914	
Public schools - SRS USFS Timber		173,468	
Tri-County Community College		111,400	
<b>Total education</b>	<b><u>928,783</u></b>	<b><u>928,782</u></b>	<b><u>1</u></b>
<b>Debt service:</b>			
Principal retirements		598,840	
Interest and fees		196,458	
<b>Total debt service</b>	<b><u>800,286</u></b>	<b><u>795,298</u></b>	<b><u>4,988</u></b>
Total expenditures	<u>13,522,600</u>	<u>13,009,329</u>	<u>513,271</u>
<b>Revenues over expenditures</b>	<b><u>(260,530)</u></b>	<b><u>793,503</u></b>	<b><u>1,054,033</u></b>
<b>Other financing sources (uses):</b>			
Transfers in		-	
Transfers out		(25,000)	
Capital lease obligations issued		131,024	
Proceeds from long term debt issued		70,461	
<b>Total other financing sources (uses)</b>	<b><u>260,530</u></b>	<b><u>176,485</u></b>	<b><u>(84,045)</u></b>
<b>Net change in fund balance</b>	<b><u>\$ -</u></b>	<b><u>969,988</u></b>	<b><u>\$ 969,988</u></b>
<b>Fund Balance , beginning as previously reported</b>		2,656,023	
<b>Prior period adjustment</b>		<u>(239)</u>	
<b>Fund balance, beginning as restated</b>		<u>2,655,784</u>	
<b>Fund balance, ending</b>		<b><u>3,625,772</u></b>	

**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, 2012**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ 160	\$ 160
Expenditures:			
General government:			
Contracted services		11,087	
Total expenditures	40,000	11,087	28,913
Revenues over (under) expenditures	(40,000)	(10,927)	29,073
Other financing sources (uses):			
Transfer in:			
General fund	25,000	25,000	-
Fund Balance Appropriated	15,000	-	(15,000)
Net change in fund balance	\$ -	14,073	\$ 14,073
Fund balance, beginning		103,462	
Fund balance, ending		\$ 117,535	

## MAJOR GOVERNMENTAL FUND

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The County has one major special revenue fund, the EDC Special Revenue Fund

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

**Graham County, North Carolina**

**Economic Development Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other restricted revenues	\$ 146,912	\$ 133,387	\$ (13,525)
Miscellaneous	5,665	5,665	-
Investment earnings	-	13,589	13,589
Total revenues	<u>152,577</u>	<u>152,641</u>	<u>64</u>
Expenditures:			
General government:			
Economic and physical development	8,665	7,987	678
Total expenditures	<u>8,665</u>	<u>7,987</u>	<u>678</u>
Revenues over (under) expenditures	<u>143,912</u>	<u>144,654</u>	<u>742</u>
Other financing sources (uses):			
Transfer in:			
General fund	<u>-</u>	<u>-</u>	<u>-</u>
Subsequent years expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 143,912</u>	144,654	<u>\$ 742</u>
Fund balance, beginning		<u>61,183</u>	
Fund balance, ending		<u>\$ 205,837</u>	



## COMBINING STATEMENTS FOR NON-MAJOR GOVERNMENTAL FUNDS

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

### *Capital Project Funds:*

- **ARC - Rural Center Stanley Furniture Expansion** - This fund accounts for the construction and rehabilitation of equipment on behalf of Stanley Furniture Company. Equipment constructed was funded 100% by a grant from the NC Rural Economic Development Center.
- **CDBG Contingency Grant - Senior Center Construction** - This fund accounts for the construction of a Senior Citizens Center. The construction is funded 100% with Community Development Block Grant funds administered by the North Carolina Department of Commerce.
- **NCDOT/ ARRA Grant - Transit Facility Construction** - This fund accounts for the construction of a Transit Facility for public transportation in Graham County. The construction is funded 100% with American Recovery and Reinvestment Act funds administered by the North Carolina Department of Transportation.

**Graham County, North Carolina**

**Combining Balance Sheet**

**Non-Major Governmental Funds**

**June 30, 2012**

	<b>Special Revenue Funds</b>		
	<b>Emergency Telephone Special Revenue Fund</b>	<b>CDBG Scattered Site Fund</b>	<b>Total Non-Major Special Revenue Funds</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Restricted cash	37,052	15	37,067
Accounts receivable, net	22,709	-	22,709
Due from other governments	2,256	-	2,256
Due from other funds	75,028	-	75,028
<b>Total assets</b>	<b>\$ 137,045</b>	<b>\$ 15</b>	<b>\$ 137,060</b>
<b>Liabilities and fund balances:</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 866	\$ -	\$ 866
Due to other funds	2,734	-	2,734
<b>Total liabilities</b>	<b>3,600</b>	<b>-</b>	<b>3,600</b>
Fund balances:			
Restricted:			
Stabilization by state statute	99,993	-	99,993
Economic and physical development	-	15	15
Human Services	-	-	-
Transportation	-	-	-
Public Safety	33,452	-	33,452
Unassigned	-	-	-
<b>Total fund balances</b>	<b>133,445</b>	<b>15</b>	<b>133,460</b>
<b>Total liabilities and fund balances</b>	<b>\$ 137,045</b>	<b>\$ 15</b>	<b>\$ 137,060</b>

Capital Projects Funds						
ARC Rural Center Stanley Furniture	CDBG Contingency Grant Senior Center	ARRA/NCDOT Transit Facility	Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds		
\$	-	\$	-	\$	-	\$
	906	-	-	-	906	37,973
	-	-	-	-	-	22,709
					-	2,256
					-	75,028
\$	906	\$	-	\$	906	\$ 137,966
\$	-	\$	-	\$	-	\$ 866
	-	-	-	-	-	2,734
	-	-	-	-	-	3,600
	-	-	-	-	-	99,993
	906	-	-	-	906	921
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	33,452
	-	-	-	-	-	-
	906	-	-	-	906	134,366
\$	906	\$	-	\$	906	\$ 137,966

**Graham County, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2012**

	Special Revenue Funds		
	Emergency Telephone Special Revenue Fund	CDBG Scattered Site Fund	Total Non-Major Special Revenue Funds
<b>Revenues:</b>			
Restricted intergovernmental revenues	\$ 156,669	\$ 107,125	\$ 263,794
Other restricted revenues	-	-	-
Investment earnings	128	23	151
Miscellaneous	-	-	-
Total revenues	<u>156,797</u>	<u>107,148</u>	<u>263,945</u>
<b>Expenditures:</b>			
Current:			
Economic and physical development	-	107,169	107,169
Human Services	-	-	-
Transportation	-	-	-
Public safety	344,781	-	344,781
Total expenditures	<u>344,781</u>	<u>107,169</u>	<u>107,169</u>
Excess (deficiency) of revenues over expenditures	<u>(187,984)</u>	<u>(21)</u>	<u>(188,005)</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	-	-
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(187,984)	(21)	(188,005)
Fund balances, beginning as previously reported	387,603	36	387,639
Prior period adjustment	(66,174)	-	(66,174)
Fund balances, beginning as restated	<u>321,429</u>	<u>36</u>	<u>321,465</u>
Fund balances, ending	<u>\$ 133,445</u>	<u>\$ 15</u>	<u>\$ 133,460</u>

Capital Projects Funds					
ARC Rural Center Stanley Furniture	CDBG Contingency Grant Senior Center	ARRA/NCDOT Transit Facility	Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds	
\$ 400,000	\$ 14,780	\$ 32,400	\$ 447,180	\$ 710,974	
-	-	-	-	-	-
84	-	-	84	235	
-	-	-	-	-	-
400,084	14,780	32,400	447,264	711,209	
400,014	-	-	400,014	507,183	
-	14,780	-	14,780	14,780	
-	-	32,400	32,400	32,400	
-	-	-	-	344,781	
400,014	14,780	32,400	447,194	899,144	
70	-	-	70	(187,935)	
-	-	-	-	-	-
-	-	-	-	-	-
70	-	-	70	(187,935)	
836	-	-	836	388,475	
				(66,174)	
836	-	-	836	322,301	
\$ 906	\$ -	\$ -	\$ 906	\$ 134,366	

**Graham County, North Carolina**  
**Emergency Telephone System Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Restricted intergovernmental:	\$ -	\$ 156,669	\$ -
Investment earnings:	-	128	
Total revenues	<u>162,000</u>	<u>156,797</u>	<u>(5,203)</u>
Expenditures:			
Public safety:		<u>344,781</u>	
Total expenditures	<u>347,000</u>	<u>344,781</u>	<u>2,219</u>
Revenues over (under) expenditures	<u>(185,000)</u>	<u>(187,984)</u>	<u>(7,422)</u>
Appropriated fund balance	<u>185,000</u>	<u>-</u>	<u>185,000</u>
Net change in fund balance	<u>\$ -</u>	<u>(187,984)</u>	<u>\$ (187,984)</u>
Fund Balance, beginning as previously reported		387,603	
Prior Period Adjustment		<u>(66,174)</u>	
Fund balance, beginning as restated		<u>321,429</u>	
Fund balances, ending		<u>\$ 133,445</u>	

**Graham County, North Carolina**

**CDBG Scattered Site Fund**

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

**For Inception and for the Year Ended June 30, 2012**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive (Negative)</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Restricted intergovernmental:					
CDBG Grant	\$ 400,000	\$ 238,140	\$ 107,125	\$ 345,265	\$ (54,735)
Investment earnings	-	69	23	92	92
Total revenues	<u>400,000</u>	<u>238,209</u>	<u>107,148</u>	<u>345,357</u>	<u>(54,643)</u>
Expenditures:					
Economic and physical development:					
Clearance activities	32,700	10,305	1,469	11,774	20,926
Relocation activities	327,300	189,901	103,722	293,623	33,677
Administration	40,000	38,022	1,978	40,000	-
Total expenditures	<u>400,000</u>	<u>238,228</u>	<u>107,169</u>	<u>345,397</u>	<u>54,603</u>
Revenues over (under) expenditures	<u>-</u>	<u>(19)</u>	<u>(21)</u>	<u>(40)</u>	<u>(40)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (19)</u>	<u>(21)</u>	<u>\$ (40)</u>	<u>\$ (40)</u>
Fund balance, beginning			<u>36</u>		
Fund balance, ending			<u>\$ 15</u>		

**Graham County, North Carolina**

**ARC Rural Center - Capital Project for Stanley Furniture**

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

**From Inception and for the Year Ended June 30, 2012**

	<u>Actual</u>			<u>Variance Positive (Negative)</u>	
	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>		<u>Total to Date</u>
Revenues:					
Restricted intergovernmental revenues:					
ARC revenues	\$ 400,000	\$ -	\$ 400,000	\$ 400,000	\$ -
Contribution from Stanley Furniture	-	-	-	-	-
Investment earnings	-	-	84	84	84
Total Revenues	<u>400,000</u>	<u>-</u>	<u>400,084</u>	<u>400,084</u>	<u>84</u>
Expenditures:					
Construction	<u>400,000</u>	<u>-</u>	<u>400,014</u>	<u>400,014</u>	<u>(14)</u>
Total Expenditures	<u>400,000</u>	<u>-</u>	<u>400,014</u>	<u>400,014</u>	<u>(14)</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>70</u>	<u>70</u>	<u>70</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70</u>	<u>\$ 70</u>	<u>\$ 70</u>
Fund balance, beginning			<u>836</u>		
Fund balance, ending			<u>\$ 906</u>		



**Graham County, North Carolina**

**CDBG Contingency Grant - Senior Center**

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

**From Inception and for the Year Ended June 30, 2012**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
		<u>Prior Year</u>	<u>Current Year</u>		
Revenues:					
Restricted intergovernmental:					
CDBG Grant	\$ 600,000	\$ -	\$ 14,780	\$ 14,780	\$ (585,220)
Total revenues	<u>600,000</u>	<u>-</u>	<u>14,780</u>	<u>14,780</u>	<u>(585,220)</u>
Expenditures:					
Human Services					
Clearance activities	9,545	-	-	-	9,545
Construction	530,455	-	-	-	530,455
Administration	60,000	-	14,780	14,780	45,220
Total expenditures	<u>600,000</u>	<u>-</u>	<u>14,780</u>	<u>14,780</u>	<u>585,220</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

**Graham County, North Carolina**

**NCDOT/ ARRA Grant - Transit Facility Construction**

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

**From Inception and for the Year Ended June 30, 2012**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
		<u>Prior Year</u>	<u>Current Year</u>		
Revenues:					
Restricted intergovernmental:					
NCDOT/ARRA Nonurbanized Grant	\$ 650,000	\$ -	\$ 32,400	\$ 32,400	\$ (617,600)
Total revenues	<u>650,000</u>	<u>-</u>	<u>32,400</u>	<u>32,400</u>	<u>(617,600)</u>
Expenditures:					
Transportation					
Construction	650,000	-	32,400	32,400	617,600
Total expenditures	<u>650,000</u>	<u>-</u>	<u>32,400</u>	<u>32,400</u>	<u>617,600</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

## AGENCY FUNDS

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

**Graham County, North Carolina**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b><u>Social Services</u></b>				
Assets:				
Cash and cash equivalents	\$ 25,498	\$ 219,566	\$ 187,628	\$ 57,436
Liabilities:				
Miscellaneous liabilities	\$ 25,498	\$ 219,566	\$ 187,628	\$ 57,436
<b><u>Fines and Forfeitures</u></b>				
Assets:				
Cash and cash equivalents	\$ 313	\$ 2,514	\$ 2,640	\$ 187
Liabilities:				
Intergovernmental payable - State of North Carolina	\$ 313	\$ 2,514	\$ 2,640	\$ 187
<b><u>Motor Vehicle Tax Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 1,054	\$ 8,528	\$ 8,563	\$ 1,019
Liabilities:				
Due to Town of Robbinsville	1,041	7,981	8,027	995
Due to Town of Santeetlah	13	547	536	24
	<u>\$ 1,054</u>	<u>\$ 8,528</u>	<u>\$ 8,563</u>	<u>\$ 1,019</u>
<b><u>Share the Warmth Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 711	\$ 2	\$ -	\$ 713
Liabilities:				
Miscellaneous liabilities	\$ 711	\$ 2	\$ -	\$ 713
<b><u>4-H Club</u></b>				
Assets:				
Cash and cash equivalents	\$ 1,013	\$ 2,407	\$ 2,567	\$ 853
Liabilities:				
Miscellaneous liabilities	\$ 1,013	\$ 2,407	\$ 2,567	\$ 853

**Graham County, North Carolina**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b><u>Yuletide Helpers</u></b>				
Assets:				
Cash and cash equivalents	\$ 1,227	\$ -	\$ 1,227	\$ -
Liabilities:				
Miscellaneous liabilities	\$ 1,227	\$ -	\$ 1,227	\$ -
<b><u>Deed of Trust Fee Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 790	\$ 8,018	\$ 8,405	\$ 403
Liabilities:				
Intergovernmental payable - State of North Carolina	\$ 790	\$ 8,018	\$ 8,405	\$ 403
<b><u>Totals - All Agency Funds</u></b>				
Assets:				
Cash and cash equivalents	\$ 30,606	\$ 241,035	\$ 211,030	\$ 60,611
Liabilities:				
Miscellaneous liabilities	\$ 28,449	\$ 221,975	\$ 191,422	\$ 59,002
Due to Town of Robbinsville	1,041	7,981	8,027	995
Due to Town of Santeetlah	13	547	536	24
Intergovernmental payable- State of North Carolina	1,103	10,532	11,045	590
Total liabilities	\$ 30,606	\$ 241,035	\$ 211,030	\$ 60,611

## OTHER SCHEDULES

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This section includes additional information on required property taxes.

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

**Graham County, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2012**

Fiscal Year	Uncollected Balance June 30, 2011	Additions	Collections And Credits	Uncollected Balance June 30, 2012
2011-2012	\$ -	\$ 5,511,707	\$ 5,172,595	\$ 339,112
2010-2011	243,231	-	111,407	131,824
2009-2010	111,367	-	36,587	74,780
2008-2009	50,265	-	10,589	39,676
2007-2008	33,585	-	4,510	29,075
2006-2007	23,182	-	2,039	21,143
2005-2006	22,761	-	1,978	20,783
2004-2005	21,798	-	1,445	20,353
2003-2004	18,802	-	1,135	17,667
2002-2003	17,421	-	489	16,932
2001-2002	16,953	-	16,953	-
	<u>559,364</u>	<u>5,511,707</u>	<u>5,359,727</u>	<u>711,345</u>
Less: allowance for uncollectible accounts:				
General fund				<u>218,600</u>
Ad valorem taxes receivable - net:				
General fund				<u>\$ 492,745</u>
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General fund				
Taxes collected				\$ 5,339,363
Penalties and interest				51,081
				<u>5,390,444</u>
Reconciling items:				
Garnishment fees				(3,854)
Collections of taxes previously written off				16,368
Taxes written off				-
Less: interest collected				(43,231)
Other adjustments				-
Total reconciling items				<u>(30,717)</u>
Total collections and credits				<u>\$ 5,359,727</u>

**Graham County, North Carolina**  
**Analysis of Current Tax Levy**  
**For the Fiscal Year Ended June 30, 2012**

	County - wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$1,214,203,409	0.440	\$ 5,342,495	\$ 5,107,770	\$ 234,725
Motor vehicles taxed at prior year's rate	17,698,519	0.405	71,679	-	71,679
Penalties	-		4,821	4,821	-
Total	<u>1,231,901,928</u>		<u>5,418,995</u>	<u>5,112,591</u>	<u>306,404</u>
Discoveries:					
Current year taxes	29,663,864	0.440	130,521	130,521	-
Prior year taxes	-		5	-	5
Penalties	-		-	-	-
Total	<u>29,663,864</u>		<u>130,526</u>	<u>130,521</u>	<u>5</u>
Abatements	<u>(8,594,091)</u>		<u>(37,814)</u>	<u>(23,584)</u>	<u>(14,230)</u>
Total property valuation	<u><u>1,252,971,701</u></u>				
Net levy			5,511,707	5,219,528	292,179
Uncollected taxes at June 30, 2012			<u>339,112</u>	<u>296,181</u>	<u>42,931</u>
Current year's taxes collected			<u>5,172,595</u>	<u>4,923,347</u>	<u>249,248</u>
Current levy collection percentage			<u>93.85%</u>	<u>94.33%</u>	<u>85.31%</u>



**Graham County, North Carolina**  
**Secondary Market Disclosures**  
**For the Fiscal Year Ended June 30, 2012**

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**Secondary Market Disclosures:**

Assessed valuation:	
Assessment ratio <sup>1</sup>	100%
Real property	\$ 1,188,092,539
Personal property	39,095,091
Public service companies <sup>2</sup>	25,784,071
Total assessed valuation	<u>\$ 1,252,971,701</u>
Tax rate per \$100	<u>0.44</u>
Levy (includes discoveries, releases and abatements) <sup>3</sup>	<u>\$ 5,513,075</u>
Late listing penalties	4,821
Levy (includes discoveries, releases and abatements) <sup>3</sup>	<u><u>\$ 5,517,896</u></u>

<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, 2012**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Tapoco, Inc.	Commercial	\$ 184,051,420	14.69%
Duke Energy	Utility	22,498,231	1.80%
Stanley Furniture	Commercial	12,958,083	1.03%
Fontana Village Inc.	Commercial	10,385,160	0.83%
Cody Family and Heirs	Residential	5,374,260	0.43%
Ibex Thunderbird	Residential	4,788,650	0.38%
Crisp & Crisp, Inc.	Commercial	4,406,126	0.35%
Frontier	Utility	3,150,154	0.25%
The Land Trust for Little Tennessee	Trust	3,079,380	0.25%
Britthaven, Inc.	Nursing Home	2,342,170	0.19%
Fort Hill Shopping Center	Commercial	2,302,690	0.18%
Riverside at Tapoco LLC	Commercial	2,242,080	0.18%
 Total		 <u>\$ 257,578,404</u>	 <u>20.56%</u>

**Graham County, North Carolina**  
**Emergency Telephone System Unspent Balance**  
**PSAP Reconciliation**  
**June 30, 2012**

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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	\$ (187,984)
Eligible 911 expenditures for Public Safety - Sheriff Squad Cars	(23,033)
Eligible 911 expenditures for Public Safety for Sheriff	(2,202)
Ineligible 911 expenditures reported in Emergency Telephone System Fund	<u>105</u>
Beginning Balance, PSAP Revenue - Expenditure Report	<u>321,429</u>
Ending Balance, PSAP Revenue - Expenditure Report	<u><u>\$ 108,315</u></u>

Ineligible expenditures were for checks purchased for use in making 911 expenditures. This will be reimbursed by Graham County General Fund in year June 30, 2013.

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**COMPLIANCE SECTION**

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## **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***

Graham County Board of Commissioners  
Robbinsville, North Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate d remaining fund information of Graham County, North Carolina (the "County"), as of and for the year ended June 30, 2012, which collectively comprises the County's basic financial statements, and have issued our report thereon dated December 14, 2012. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of Graham County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, non-compliance 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*.

We noted certain matters that we reported to management of Graham County, in a separate letter dated December 14, 2012.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Turner, Hatchett & Turner, C.P.A.'s, P.A.*

TURNER, HATCHETT & TURNER CPA'S P.A.

December 14, 2012

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

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## **Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act**

Graham County Board of Commissioners  
Robbinsville, North Carolina

### Compliance

We have audited Graham County, North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Graham County's major federal programs for the year ended June 30, 2012. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 the *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 the 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and the State Single Audit Implementation Act, and which are described in the accompanying schedule of findings and questioned costs as item 2012-1.

### Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 non-compliance 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 combination of deficiencies, in internal control over compliance, that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2012-1. A significant deficiency in internal control over compliance is a deficiency, or a 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 in governance.

Graham County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Turner, Hatchett & Turner, C.P.A.'s, P.A.*

TURNER, HATCHETT & TURNER CPA'S P.A.

December 14, 2012



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## **Report on Compliance With Requirements Applicable to Each Major State Program and Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act**

Graham County Board of Commissioners  
Robbinsville, North Carolina

### Compliance

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 are applicable to each of its major State programs for the year ended June 30, 2012. Graham County's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Graham County's management. Our responsibility is to express an opinion on Graham County's compliance based on our audit.

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; applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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. Our audit does not provide a legal determination on Graham County's compliance with those requirements.

In our opinion, the County complied, in all material respects with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and the State Single Audit Implementation Act, and which are described in the accompanying schedule of findings and questioned costs as item 2012-1.

### Internal Control Over Compliance

Management of Graham County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Graham County's internal control over compliance with requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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 Graham 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 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.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2012-1. 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.

Graham County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on the response.

This report is intended for the information and use of the Board of Commissioners, management, others within the organization, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Turner, Hatchett & Turner, C.P.A.'s, P.A.*

TURNER, HATCHETT & TURNER CPA'S P.A.

December 14, 2012

**Graham County, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2012**

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**I. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	<u>Unqualified</u>	
Internal control over financial reporting:		
• Material Weakness identified	_____ yes	<u>  X  </u> no
• Significant Deficiency(s) identified that are not considered to be material weaknesses?	_____ yes	<u>  X  </u> no
Noncompliance material to financial statements noted	_____ yes	<u>  X  </u> no

**Federal Awards**

Internal control over major federal programs:		
• Material Weakness identified	_____ yes	<u>  X  </u> no
• Significant Deficiency(s) identified that are not considered to be material weaknesses?	<u>  X  </u> yes	_____ no

Type of auditor's report issued on compliance for major federal programs:	<u>Unqualified</u>	
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Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133.	<u>  X  </u> yes	_____ no
--	------------------	----------

Program Name	CFDA#
Medical Assistance Cluster:	
Medical Assistance Program	<u>93.778</u>

The threshold for determining Type A programs for Graham County is	\$	356,320
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Auditee qualified as low-risk auditee	_____ yes	<u>  X  </u> no
---------------------------------------	-----------	-----------------

**Graham County, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2012**

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**State Awards**

Internal control over major state programs:

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

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

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

Identification of Major State programs:

\_\_\_\_\_  
Program Name

The Medical Assistance Cluster is a State match on a federal program. Therefore, this cluster has been included in the list of major federal programs above.

Passed through - N.C. General Assembly - Rural Economic Development Center - Economic Development and Research Grant

**II. Findings Related to the Audit of the Basic Financial Statements of Graham County.**

None

**Graham County, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2012**

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**III. Findings and Questioned Costs Related to the Audit of Federal Awards**

**Finding 2012-1**

**Crosscutting Requirements - Reporting**

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

Program Name: Medical Assistance Program

**SIGNIFICANT DEFICIENCY**

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

**Condition:** Only 1 of 3 medicaid caseworkers were completing some form of day sheets. The Department was considering the other caseworkers as 100% program direct. However, the caseworkers do have time in other programs. It did not account for all the employee's time including administrative tasks, breaks and time off. The days sheets tested accounted for less than 30 hours per month. Clients worked on were not listed and there was no activity codes on the day sheet. Employees are not initiallying when they made additions to the client file work history.

**Questioned Cost:** Unable to determine.

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

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

**Recommendation:** It is recommended that they implement the use of the State mandated day sheets for all medicaid caseworkers. It is also recommended that when caseworkers add to the case history in the client file that they initialize and date their entry so that it is clear who completed the entered task.

**Management Response:** See Corrective Action.

**IV. Findings and Questioned Costs Related to the Audit of State Awards**

See Finding 2012-1

**Graham County, North Carolina**  
**Corrective Action Plan**  
**For the Fiscal Year Ended June 30, 2012**

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**Section II. Financial Statement Findings**

None Reported

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

Finding 2012-1

**Crosscutting Requirements - Reporting**

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

Program Name: Medical Assistance Program

**SIGNIFICANT DEFICIENCY**

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

Corrective Action: The county finance officer, the DSS director, and the finance officer for DSS met in late June to go over findings observed during fieldwork. This finding was discussed at length and the above parties mutually agreed to implement a day sheet system whereby all caseworkers, including Medicaid, Food Stamps, and child protective workers would complete day sheets each day. The day sheets are reviewed by the DSS Finance Officer for completeness and accuracy. The system was implemented effective July 1, 2012. The county finance officer will periodically check with the DSS Finance Officer to ensure that the system continually operational. In addition, the DSS finance officer will implement a system of checks to ensure that the workers are documenting their entry into client files with initials and dates as a tracking system for task completion. The finance officer of the county checked with the finance officer of DSS during the fall of 2012. This system was fully implemented and operational at that time.

Proposed Completion Date: - July 1, 2012

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

See above.

**Graham County, North Carolina**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Fiscal Year Ended June 30, 2012**

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**Finding 2011-1**

**Status:**

The finding is no longer valid due to the following: DSS has improved their monitoring of fraud claims and the collection of overpayments.

**Graham County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2012**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<b>Federal Awards:</b>					
<b><u>U.S. Dept. of Agriculture</u></b>					
<b><u>Food and Nutrition Service</u></b>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
<u>Supplemental Nutrition Assist. Program Cluster</u>					
State Administrative Matching Grants for					
the Supplemental Nutrition Assistance Program					
	10.561	XXXX	106,072	-	106,072
Supplemental Nutrition Assist. Program - Fraud Admin					
	10.561	XXXX	4,944	-	4,944
Supplemental Nutrition Assist. Program Cluster					
			<u>111,016</u>	<u>-</u>	<u>111,016</u>
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Administration:					
Special Supplemental Nutrition Program for					
Women, Infants, & Children					
	10.557	XXXX	61,892	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for					
Women, Infants, & Children					
	10.557	XXXX	251,183	-	-
Passed-through N.C. Dept. of Agriculture:					
<u>Emergency Food Assistance Cluster:</u>					
Emergency Food Assistance					
Program - Administrative Cost					
	10.568	XXXX	2,276	-	-
Emergency Food Assistance					
Program - Food Commodities					
	10.569	XXXX	6,154	-	-
Total Emergency Food Assistance Cluster					
			<u>8,430</u>	<u>-</u>	<u>-</u>
<b>Total U.S. Dept. of Agriculture</b>					
			<u><b>432,521</b></u>	<u><b>-</b></u>	<u><b>111,016</b></u>
<b><u>U.S. Department of Housing and Urban Development</u></b>					
Passed through the N.C. Department of Commerce					
Community Development Block Grants/State's Program					
<u>CDBG - State-Administered CDBG Cluster</u>					
	14.228		117,130	-	-
CDBG - Scattered Site Revitalization					
	14.228		4,780	-	-
CDBG - Contingency - Public Facilities					
Total CDBG - State-Administered CDBG Cluster					
			<u>121,910</u>	<u>-</u>	<u>-</u>
<b>Total U.S. Housing and Urban Development</b>					
			<u><b>121,910</b></u>	<u><b>-</b></u>	<u><b>-</b></u>
<b><u>U.S. Dept. 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					
	20.509	XXXX	107,210	6,843	20,127
Federal Transit Capital Investment Grants					
	20.509	XXXX	2,839	355	333
<b>Total U.S. Dept. of Transportation</b>					
			<u><b>110,049</b></u>	<u><b>7,198</b></u>	<u><b>20,460</b></u>
<b><u>U. S. Department of Homeland Security</u></b>					
Passed-through N.C. Dept. of Crime Control and Public Safety:					
Division of Emergency Management					
Home Land Security Grant Program					
	97.004	XXXX	44,942	-	-
<b>Total U. S. Department of Homeland Security</b>					
			<u><b>44,942</b></u>	<u><b>-</b></u>	<u><b>-</b></u>



**Graham County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2012**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<b><u>U.S. Dept. of Health &amp; Human Services</u></b>					
<b><u>Office of the Population Affairs</u></b>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Family Planning Services Title X	93.217	XXXX	18,499	-	-
<b><u>Administration for Children and Families</u></b>					
Social Service Block Grant (SSBG) - In Home Services	93.667	XXXX	-	500	-
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
<b><u>Foster Care and Adoption Cluster 4 (Note 4)</u></b>					
Title IV-E Foster Care - Administration	93.658	XXXX	110,217	3,910	78,773
Foster Care - Direct Benefit Payments	93.658	XXXX	44,922	14,957	14,976
Title IV-E Adoption Administration	93.659	XXXX	108	-	108
Adoption Assistance - Direct Benefit Payments	93.659	XXXX	63,250	16,251	17,591
Total Foster Care and Adoption			218,497	35,118	111,448
<b><u>Temporary Assistance for Needy Families Cluster</u></b>					
Temporary Assistance for Needy Families (TANF) /					
Work First	93.558	XXXX	143,433	-	59,071
TANF / Work First - Direct Benefit Payments	93.558	XXXX	28,301	-	-
Total TANF Cluster			171,734	-	59,071
N. C. Child Support Enforcement Section	93.563	XXXX	50,089	-	25,804
Family Preservation	93.556	XXXX	1,628	-	-
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568	XXXX	10,062	-	-
Energy Assistance Payments- Direct Benefit Payments	93.568	XXXX	17,590	-	410
Crisis Intervention Program	93.568	XXXX	9,393	-	-
Child Welfare Services - State Grants					
- Adoption Subsidy - Direct Benefit Payments	93.645	XXXX	-	69,157	8,615
Child Welfare Services - State Grants					
- Permanency Planning - Families for Kids	93.645	XXXX	2,119	-	706
SSBG - TANF to SSBG	93.667	XXXX	44,218	-	-
SSBG - Other Service and Training	93.667	XXXX	47,488	4,063	17,184
Independent Living Grant -LINKS	93.674	XXXX	603	151	-
Division of Aging and Adult Services:					
Division of Social Services:					
SSBG - State In Home Service Fund	93.667	XXXX	9,523	-	3,174
TANF	93.558	XXXX	1,294	-	-
Total Subsidized Child Care (Note 4)			1,294	-	-
<b><u>Centers for Medicare and Medicaid Services</u></b>					
Passed-through the N.C. Dept. of Health and Human Services:					
<b><u>Medicaid Cluster</u></b>					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778	XXXX	10,276,702	6,006,668	1,574
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	XXXX	199,464	9,379	184,517
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	249	79	-
Total Medicaid Cluster			10,476,415	6,016,126	186,091

**Graham County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2012**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b><u>Centers for Disease Control</u></b>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Public Health Emergency Preparedness	93.069	XXXX	38,347	-	-
Prevention Investigation and Technical Assistance	93.283	XXXX	1,691	-	-
ARRA Preventing Healthcare - Associated Illness	93.717	XXXX	1,678	-	-
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	XXXX	13,258	2,040	-
Preventive Health and Health Services Block Grant	93.991	XXXX	-	-	-
<b><u>Health Resources and Services Administration</u></b>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Maternal and Child Health Services Block Grant	93.994	XXXX	27,356	70,519	-
<b><u>Immunization Cluster</u></b>					
Immunization Grants	93.268	XXXX	6,433	-	-
Total Immunization Cluster			6,433	-	-
<b>Total U.S. Dept. of Health and Human Services</b>			<b>11,167,915</b>	<b>6,197,825</b>	<b>412,503</b>
<b>Total federal awards</b>			<b>11,877,337</b>	<b>6,205,023</b>	<b>543,979</b>
<b><u>Appalachian Regional Commission</u></b>					
Hilltop Care of Graham County		NC-16674-10	-	42,618	56,405
<b><u>N.C. Dept. of Administration</u></b>					
Veterans Service		XXXX	-	1,452	1,452
<b><u>N.C. Clean Water Management Trust Fund</u></b>					
Graham County Septic System Replacement		2007-609	-	212,326	-
<b><u>N.C. Department of Environment and Natural Resources</u></b>					
Division of Waste Management					
White Goods Management Program		XXXX	-	1,206	-
Scrap Tire Program		XXXX	-	15,843	-
<b>Total N.C. Dept. of Environmental and Natural Resources</b>			<b>-</b>	<b>17,049</b>	<b>-</b>
<b><u>N.C. Dept. of Health and Human Services</u></b>					
Division of Aging and Adult Services					
Division of Social Services					
90% State Funds - In-Home Services		XXXX	-	16,786	1,865
90% State Funds - Congregate Nutrition		XXXX	-	38,608	4,290
90% State Funds - Home Delivered Meals		XXXX	-	112,465	12,496
Division of Social Services:					
SC/SA Domiciliary Care		XXXX	-	121,987	121,987
State Foster Home		XXXX	-	20,438	19,170
County Funded Service		XXXX	-	-	103,928
Total Division of Social Service			-	310,284	263,736
Division of Public Health					
General		XXXX	-	77,709	-
Environmental Health		XXXX	-	4,000	-
General Communicable Disease Control		XXXX	-	11,336	-
Risk Reduction Health Promotion		XXXX	-	5,444	-
TB Medical Service		XXXX	-	495	-
Tuberculosis		XXXX	-	720	-
WHSF		XXXX	-	8,856	-
Total Division of Public Health			-	108,560	-
<b>Total N. C. Department of Health and Human Services</b>			<b>-</b>	<b>418,844</b>	<b>263,736</b>

**Graham County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2012**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b><u>Office of the Governor</u></b>					
<b><u>Office of State Budget and Management</u></b>					
Passed through - N.C. General Assembly					
Golden Leaf Foundation		XXXX			
Agricultural Extension Kitchen Grant				24,961	-
Rural Economic Development Center		XXXX			
Economic Innovation Scale Grant - Stanley Furniture				400,000	-
Economic Infrastructure Grant - Broadband			-	9,013	3,863
<b>Total Office of Governor</b>			<b>-</b>	<b>433,974</b>	<b>3,863</b>
<b><u>Dept. of Juvenile Justice and Delinquency Prevention</u></b>					
Juvenile Crime Prevention Programs		XXXX	-	54,692	5,183
<b><u>N.C. Dept. of Public Instruction</u></b>					
Capital Outlay - Lottery Funds		XXXX	-	73,914	-
<b>Total N.C. Dept. of Public Instruction</b>			<b>-</b>	<b>73,914</b>	<b>-</b>
<b><u>N.C. Dept. of Transportation</u></b>					
CT - 2011 Facility Funds			-	25,797	-
Rural Operating Assistance Program (ROAP)					
- ROAP Elderly and Disabled Transportation Assistance Program		DOT-16L	-	48,071	-
- ROAP Rural General Public Program		DOT-16L	-	39,400	4,378
- ROAP Work First Transitional - Employment Transportation Assistance Program		DOT-16L	-	5,619	-
<b>Total ROAP</b>			<b>-</b>	<b>118,887</b>	<b>4,378</b>
<b><u>N.C. Dept. of Corrections</u></b>					
Criminal Justice Partnership Program		XXXX	-	52,599	-
<b>Total State awards</b>			<b>-</b>	<b>1,426,355</b>	<b>335,017</b>
<b>Total federal and State awards</b>			<b>11,877,337</b>	<b>7,631,378</b>	<b>878,996</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 includes the federal and State grant activity of Graham County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the basic financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.

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

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Schools Capital Outlay - Lottery Funds		XXXX		73,914
Juvenile Crime Prevention Programs		XXXX		51,836

3. The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes:

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