

Graham County, North Carolina

Financial Statements

June 30, 2014

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

BOARD OF COUNTY COMMISSIONERS

Keith Eller, Chairman

Billy Holder, Vice Chairman

Connie Orr

Lynn Cody

Raymond Williams

COUNTY OFFICIALS

Gregory Cable

County Manager

Rebecca E. Garland, CPA

Director of Finance

Donna Cody

County Attorney

Carolyn Stewart

Register of Deeds

Erma Phillips

Tax Assessor

Graham County, North Carolina

Table of Contents

June 30, 2014

<u>Exhibit</u>		<u>Page</u>
	Financial Section	4
	Independent Auditors' Report	5 - 6
	Management's Discussion and Analysis	7 - 15
	Basic Financial Statements:	16
	Government-Wide Financial Statements:	
1	Statement of Net Position	17
2	Statement of Activities	18 - 19
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	20 - 21
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	22
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
6	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and Annually Budgeted Major Special Revenue Fund	24 - 25
7	Statement of Fiduciary Net Position - Fiduciary Funds	26
	Notes of the Financial Statements	27 - 51
	Combining and Individual Fund Financial Statements Section:	52
	General Fund:	53
	General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	54 - 64
	Revaluation Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	65
	Major Governmental Fund:	66
	Economic Development Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	67
	Combining Statements for Non-Major Governmental Funds:	68
	Combining Balance Sheet - Non-Major Governmental Funds	69 - 70
	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	71 - 72
	Emergency Telephone Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual -	73
	Low-income Housing Repair or Rehabilitation Grant Project Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual -	74
	ARC Rural Center - Stanley Furniture Building Reuse Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	75

Graham County, North Carolina

Table of Contents

June 30, 2014

Senior Center Capital Project Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	76
Transit Facility Capital Project Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual -	77
Agency Funds:	78
Combining Statement of Changes in Assets and Liabilities - Agency Funds	79
Other Schedules:	80
Schedule of Ad Valorem Taxes Receivable	81
Analysis of Current Tax Levy - County-Wide Levy	82
Ten Largest Taxpayers	83
Emergency Telephone System Unspent Balance - PSAP Reconciliation	84
Compliance Section:	85
Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	86 - 87
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 and the State Single Audit Implementation Act	88 - 89
Independent Auditors' 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	90 - 91
Schedule of Findings and Questioned Costs	92 - 96
Corrective Action Plan	97 - 98
Summary Schedule of Prior Year Audit Findings	99
Schedule of Expenditures of Federal and State Awards	100 - 103

FINANCIAL SECTION

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

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

Independent Auditors' Report

To the Board of Commissioners
Graham County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Graham County, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Graham County, North Carolina, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Economic Development Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Graham County's basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014 on our consideration of Graham County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Graham County's internal control over financial reporting and compliance.

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

Turner, Hatchett & Turner, CPA's, P.A.
Murphy, North Carolina
November 24, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Graham County, North Carolina
Management's Discussion and Analysis
June 30, 2014

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, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follows this narrative.

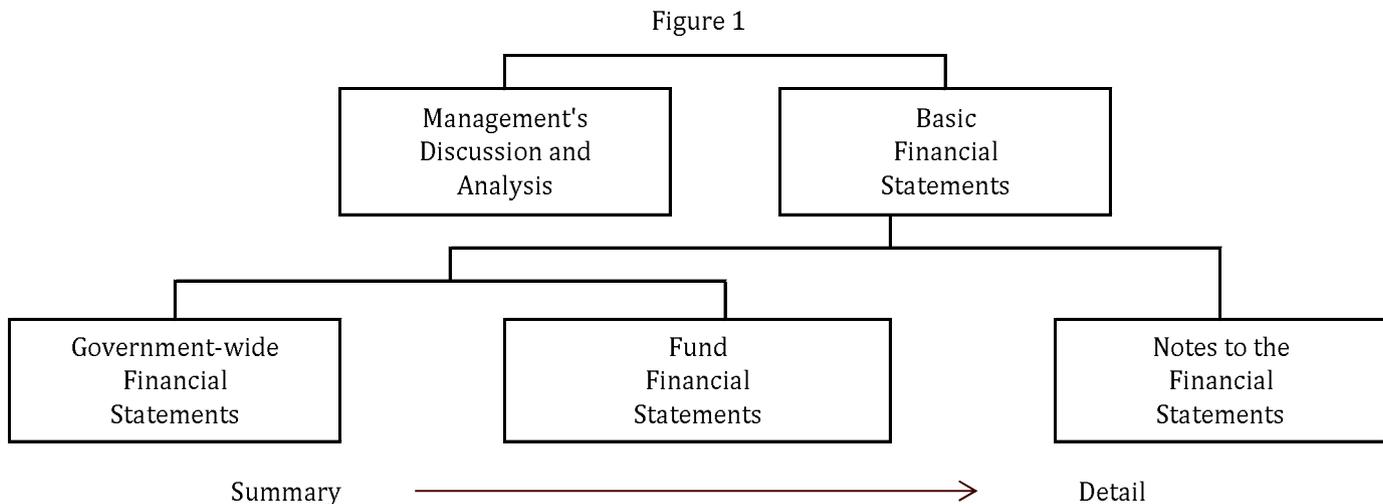
Financial Highlights

- The assets and deferred outflows of resources of Graham County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11,241,228 (net position).
- The government's total net position increased by \$1,930,945.
- As of the close of the current fiscal year, Graham County's governmental funds reported combined ending fund balances of \$6,213,018, after a net increase in fund balance of \$929,447, primarily due to management's focus on monitoring spending and maximizing revenue collection. Approximately 30.23 percent of this total amount, or \$1,877,924, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,381,231, or 33.15 percent of total general fund expenditures for the fiscal year.
- Graham County, North Carolina's total debt decreased by \$615,146 (11.48%) during the current fiscal year. Graham County's proceeds from installment purchases increased by \$85,975 for the acquisition of an ambulance for EMS. The primary factor in the net decrease in debt was the scheduled principal repayments.

Overview of the Financial Statements

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

Required Components of Annual Financial Report



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 27 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 27 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11,241,228 as of June 30, 2014. The County's net position increased by \$1,930,945 for the fiscal year ended June 30, 2014. One of the largest portions \$7,526,102 (66.95%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Graham County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Graham County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of Graham County's net position \$1,698,273 (15.11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,0156,853 is unrestricted.

Graham County, North Carolina's Net Position

Figure 2

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 7,799,217	\$ 7,085,403
Capital assets	9,127,656	8,590,988
Deferred outflows of resources	<u>40,930</u>	<u>45,520</u>
Total assets and deferred outflows of resources	<u>16,967,803</u>	<u>15,721,911</u>
Long-term liabilities outstanding	4,291,214	5,571,141
Other liabilities	1,379,344	702,819
Deferred inflows of resources	<u>56,017</u>	<u>67,275</u>
Total liabilities and deferred inflows of resources	<u>5,726,575</u>	<u>6,341,235</u>
Net position:		
Net investment in capital assets	7,526,102	6,663,691
Restricted	1,698,273	2,156,287
Unrestricted	<u>2,016,853</u>	<u>560,708</u>
Total net position	<u>\$ 11,241,228</u>	<u>\$ 9,310,283</u>

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 95.45% (ad valorem), lower than the statewide average of 97.34%, and slightly higher than the county average of 95.38% 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 prior year increase of the property tax rate from \$.44 per hundred to \$.46 per hundred continued to positively affect the net position of the County.
- Continued pay down of debt balances positively influenced net position.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget.
- The County also implemented a process of foreclosures on late property taxes for real estate. This allowed the County to collect approximately \$200,000 in delinquent taxes from previous years.

Graham County, North Carolina's Changes in Net Position

Figure 3

	Governmental Activities	
	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 1,858,592	\$ 3,147,679
Operating grants and contributions	3,791,800	3,879,685
Capital grants and contributions	648,884	1,223,795
General revenues:		
Property taxes	5,789,921	5,370,174
Other taxes	1,932,097	1,615,321
Grants and contributions not restricted to specific programs	1,147,510	803,001
Investment earnings, unrestricted	16,880	16,689
Other	57,577	92,979
Total revenues	<u>15,243,261</u>	<u>16,149,323</u>
Expenses:		
General government	2,466,509	2,656,140
Public safety	4,495,125	4,231,948
Economic and physical development	612,409	251,762
Human services	4,362,677	4,468,792
Cultural and recreational	446,801	453,405
Education	747,384	1,076,903
Interest on long-term debt	181,411	193,399
Total expenses	<u>13,312,316</u>	<u>13,332,349</u>
Change in net position	1,930,945	2,816,974
Net position, beginning	9,310,283	6,563,712
Net position, ending	<u>\$ 11,241,228</u>	<u>\$ 9,310,283</u>

Governmental activities. Governmental activities increased the County's net position by \$1,930,945. Key elements of this increase are as follows:

- Property tax collections increased by a total of \$419,747 (7.82%) due to the increase in the property tax rate from \$.44 per hundred to \$.46 per hundred. The actual property tax percentage collection rate decreased due to the increase in the total levy diluting the ratio. The County also implemented a process of foreclosures on late property taxes for real estate. This allowed the County to collect approximately \$200,000 in delinquent taxes from previous years.
- The \$1,289,087 decrease in charges for services was primarily due to the prior years fees were inflated to due one major taxpayer selling its assets and operations This resulted in increased register of deeds fees paid for the transfer of property.
- Total general revenues increased by 13.24% in part due to the implementation of a foreclosure process for delinquent property taxes, the abovementioned increase in property tax collections, and increases in shared revenues.
- Grant revenues decreased by 5.39% between 2013 and 2014 as the majority of the grant funds for the Transit Facility Capital Project Fund were received in the prior year.
- Managements adherence to strict spending policies contributed to the decrease in expenditures.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of Graham County. At the end of the current fiscal year, Graham County's fund balance available in the General Fund was \$4,732,177 while total fund balance reached \$5,734,426. The Graham County Board of Commissioners has determined that the County should maintain an available fund balance of 8% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 36.36% of general fund expenditures, while total fund balance represents 35.80% of that same amount.

At June 30, 2014, the governmental funds of Graham County reported a combined fund balance of \$6,213,018, a 15.73% increase over last year. The primary reason for this increase was attributed to increases other shared revenues and the increase in the property tax rate.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased all revenues by only \$346,888. 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, 2014, total \$9,127,656 (net of accumulated depreciation). These assets include land, construction in progress, buildings, equipment, and vehicles.

Major capital asset transactions during the year included:

- Building capitalization of the completed Transit Facility project.
- Building capitalization of the completed Senior Center project.
- Purchased a new ambulance for \$88,554.
- Purchased a new van equipped to transport handicapped persons.
- A computer system network upgrade for \$162,947 to benefit all departments.

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

Figure 4

Governmental Activities:	2014	2013
Land	\$ 981,591	\$ 981,591
Construction in progress	-	973,142
Buildings	5,463,278	4,057,314
Other improvements	911,991	926,142
Equipment	1,050,268	843,289
Vehicles	720,528	824,300
Total	\$ 9,127,656	\$ 8,605,778

Construction commitments

The County completed two construction projects during the fiscal year ended June 30, 2014. There are no active construction projects as of June 30, 2014.

Project	Spent-to-date	Remaining Commitment
Transit Facility	\$ 826,728	\$ -
Senior Center	515,359	-
Total	\$ 1,342,087	\$ -

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, 2014, Graham County, North Carolina had total bonded debt outstanding of \$2,200,000 all of which is debt backed by the full faith credit of the County.

Graham County, North Carolina's Outstanding Debt
Figure 5

	Governmental Activities	
	2014	2013
General obligation bonds	\$ 2,200,000	\$ 2,405,000
Capital leases	158,903	205,009
Installment purchases	2,385,504	2,749,544
Total	\$ 4,744,407	\$ 5,359,553

Graham County, North Carolina's total debt decreased by \$615,146 (11.48%) during the current fiscal year. Graham County's proceeds from installment purchases increased by \$85,975 for the acquisition of an ambulance for EMS. The primary factor in the net decrease in debt was the scheduled principal repayments.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Graham County is \$95,063,210.

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

Economic Factors and Next Year's Budgets and Rates

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

- The County anticipates a decline in tax revenues and other fees; however, due to the Stanley Furniture Company closure resulting in a job loss in excess of 300 jobs, County leaders did not want to overly burden the taxpayers in the County.
- Extended collection procedures with overdue taxes, including garnishment, debt setoff and attachment allowed the tax collections to increase. This process should be further enhanced by the recent implementation of a foreclosure process on late property taxes for real estate.
- County leaders also have continued with stringent controls over spending to help maintain reserves during the current state of the economy.
- The current unemployment rate for Graham County is 9.8% in June 2014, which is marginally higher than the state average of 6.3 percent.
- Governor Pat McCrory, N.C. Commerce Secretary Sharon Decker and the Economic Development Partnership of N.C. announced on November 10, 2014 that Oak Valley Hardwoods, Inc. is planning to expand operations into Graham County and create 114 new jobs. The company plans to invest more than \$10.1 million over the next five years in Robbinsville, which is located in Graham County.

Budget Highlights for the Fiscal Year Ending June 30, 2015

The property tax rate was maintained at \$.46 to maintain current tax revenue streams. The total projected expenditures are higher than the 2013-2014 levels, primarily in the areas of general government and public safety. The County has chosen to appropriate fund balance in the fiscal year 2015 budget to cover any shortfalls in revenue that might occur in the next fiscal year.

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

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

BASIC FINANCIAL STATEMENTS

Statement of Net Position

June 30, 2014

	Primary	Component Units	
	Government	Travel and	Rural
	Governmental	Tourism	Development
	Activities	Authority	Authority
ASSETS			
Cash and cash equivalents	\$ 5,007,064	\$ 72,201	\$ 105,671
Restricted cash and cash equivalents	868,938	8,069	-
Receivables, net	889,522	36,964	-
Due from other governments	875,971	7,280	95,000
Due from component unit	14,891	-	-
Assets held for resale	-	-	24,561
Prepaid items	142,831	3,326	-
Capital assets:			
Land, improvements, and construction in progress	981,591	-	-
Other capital assets, net of depreciation	8,146,065	2,456	-
Total capital assets	9,127,656	2,456	-
Total assets	16,926,873	130,296	225,232
DEFERRED OUTFLOWS OF RESOURCES			
Charge on refunding	40,930	-	-
Total deferred outflows of resources	40,930	-	-
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	676,852	7,246	-
Accrued interest payable	18,754	-	-
Due to primary government	-	14,891	-
Current portion of long-term liabilities	683,738	-	-
Total current liabilities:	1,379,344	22,137	-
Long-term liabilities:			
Due in more than one year	4,291,214	-	-
Total liabilities	5,670,558	22,137	-
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	56,017	-	-
Total deferred inflows of resources	56,017	-	-
NET POSITION			
Net investment in capital assets	7,526,102	2,456	-
Restricted for:			
Human services	23,360	-	-
Public safety	145,270	-	-
Economic development	308,852	-	-
Register of deeds	100,505	-	-
Stabilization by state statute	930,025	44,244	95,000
Courts	3,422	-	-
Law enforcement	24,264	-	-
Tax revaluation	162,575	-	-
Unrestricted (deficit)	2,016,853	61,459	130,232
Total net position	\$ 11,241,228	\$ 108,159	\$ 225,232

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

Statement of Activities

For the Year Ended June 30, 2014

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 2,466,509	\$ 144,813	\$ 4,702	\$ -
Public safety	4,495,125	1,040,112	256,330	-
Economic and physical development	612,409	3,671	189,402	558,696
Human services	4,362,677	625,683	3,022,541	53,178
Cultural and recreation	446,801	44,313	97,086	37,010
Education	747,384	-	221,739	-
Interest on long-term debt	181,411	-	-	-
Total governmental activities	<u>\$ 13,312,316</u>	<u>\$ 1,858,592</u>	<u>\$ 3,791,800</u>	<u>\$ 648,884</u>
Component units:				
Travel and Tourism Authority	\$ 160,546	\$ -	\$ -	\$ -
Rural Development Authority	4,680	-	-	-
Total component units	<u>\$ 165,226</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

- Taxes:
 - Property taxes, levied for general purpose
 - Local option sales tax
 - Other taxes and licenses
- Grants and contributions not restricted to specific programs
- Investment earnings, unrestricted
- Miscellaneous, unrestricted
- Transfers
 - Total general revenues and transfers
 - Change in net position
- Net position, beginning previously reported
- Prior period adjustment
- Net position, beginning as restated
- Net position, ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government		Component Units	
Governmental Activities	Total	Travel and Tourism Authority	Rural Development Authority
\$ (2,316,994)	\$ (2,316,994)		
(3,198,683)	(3,198,683)		
139,360	139,360		
(661,275)	(661,275)		
(268,392)	(268,392)		
(525,645)	(525,645)		
(181,411)	(181,411)		
(7,013,040)	(7,013,040)		
		\$ (160,546)	\$ -
		-	(4,680)
		(160,546)	(4,680)
	5,789,921	-	-
	1,662,737	-	-
	269,360	170,381	-
	1,147,510	-	-
	16,880	106	121
	57,577	579	-
	-	-	-
	8,943,985	171,066	121
	1,930,945	10,520	(4,559)
	9,380,686	97,639	229,791
	(70,403)	-	-
	9,310,283	97,639	229,791
\$ 11,241,228	\$ 108,159	\$ 225,232	

Graham County, North Carolina

Exhibit 3

Balance Sheet

Governmental Funds

June 30, 2014

	Major		Non-Major	Total Governmental Funds
	General	EDC Special Revenue Fund	Other Governmental Funds	
ASSETS				
Cash and cash equivalents	\$ 5,007,064	\$ -	\$ -	\$ 5,007,064
Restricted cash	379,968	308,010	180,960	868,938
Receivables, net				
Taxes	331,061	-	-	331,061
Accounts	19,640	-	16,552	36,192
Capital lease receivable	-	511,497	-	511,497
Due from other governments	823,665	-	52,306	875,971
Due from other funds	1,222	-	1,749	2,971
Due from component unit	14,891	-	-	14,891
Prepaid items	142,831	-	-	142,831
Total assets	<u>\$ 6,720,342</u>	<u>\$ 819,507</u>	<u>\$ 251,567</u>	<u>\$ 7,791,416</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 597,089	\$ -	\$ 79,763	\$ 676,852
Due to other funds	1,749	100	1,122	2,971
Total liabilities	<u>598,838</u>	<u>100</u>	<u>80,885</u>	<u>679,823</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	331,061	-	-	331,061
Direct financing lease receivable	-	511,497	-	511,497
Unearned revenue	56,017	-	-	56,017
Total deferred inflows of resources	<u>387,078</u>	<u>511,497</u>	<u>-</u>	<u>898,575</u>
Fund balances:				
Non Spendable:				
Prepaid items	142,831	-	-	142,831
Restricted:				
Register of deeds	100,505	-	-	100,505
Stabilization by state statute	859,418	-	70,607	930,025
Human services	23,360	-	-	23,360
Law enforcement	24,264	-	-	24,264
Public safety	-	-	145,270	145,270
Economic development	-	307,910	942	308,852
Courts	3,422	-	-	3,422
Committed:				
Tax revaluation	162,575	-	-	162,575
Assigned				
Subsequent year's expenditures	36,820	-	-	36,820
Unassigned:	4,381,231	-	(46,137)	4,335,094
Total fund balances	<u>5,734,426</u>	<u>307,910</u>	<u>170,682</u>	<u>6,213,018</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,720,342</u>	<u>\$ 819,507</u>	<u>\$ 251,567</u>	<u>\$ 7,791,416</u>

Graham County, North Carolina

Exhibit 3

Balance Sheet

Governmental Funds

June 30, 2014

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

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

Total Fund Balance, Governmental Funds	6,213,018
Deferred charges related to current refunding bond issue	40,930
Interest receivable accrued on property taxes are not current financial resources and therefore are not reported in the funds	10,772
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	9,127,656
Deferred inflows of resources for taxes and capital lease receivable	842,558
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	(18,754)
Long-term obligations	<u>(4,974,952)</u>
Net position of governmental activities	<u><u>\$ 11,241,228</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2014

	Major		Non-Major	Total Governmental Funds
	General Fund	EDC Special Revenue Fund	Other Governmental Funds	
REVENUES				
Ad valorem taxes	\$ 5,767,447	\$ -	\$ -	\$ 5,767,447
Local option sales taxes	1,662,737	-	-	1,662,737
Other taxes and licenses	269,360	-	-	269,360
Unrestricted intergovernmental	1,147,510	-	-	1,147,510
Restricted intergovernmental	3,397,726	-	983,356	4,381,082
Other restricted revenue	55,168	137,658	-	192,826
Permits and fees	135,683	-	-	135,683
Sales and services	1,727,343	-	-	1,727,343
Investment earnings	7,262	9,338	280	16,880
Miscellaneous	57,577	-	-	57,577
Total revenues	<u>14,227,813</u>	<u>146,996</u>	<u>983,636</u>	<u>15,358,445</u>
EXPENDITURES				
Current:				
General government	2,384,266	-	-	2,384,266
Public safety	4,415,887	-	253,864	4,669,751
Economic and physical development	136,537	127,020	347,690	611,247
Human services	4,505,393	-	569,004	5,074,397
Cultural and recreational	393,491	-	-	393,491
Intergovernmental:				
Education	1,137,208	-	-	1,137,208
Special appropriations	244,613	-	-	244,613
Total expenditures	<u>13,217,395</u>	<u>127,020</u>	<u>1,170,558</u>	<u>14,514,973</u>
Excess (deficiency) of revenues over expenditures	<u>1,010,418</u>	<u>19,976</u>	<u>(186,922)</u>	<u>843,472</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	115,418	115,418
Transfers to other funds	(115,418)	-	-	(115,418)
Proceeds from long-term debt	85,975	-	-	85,975
Total other financing sources (uses)	<u>(29,443)</u>	<u>-</u>	<u>115,418</u>	<u>85,975</u>
Net change in fund balance	980,975	19,976	(71,504)	929,447
Fund balance, beginning as previously reported	4,836,377	287,934	244,443	5,368,754
Prior period adjustment	(82,926)	-	(2,257)	(85,183)
Fund balances, beginning as restated	<u>4,753,451</u>	<u>287,934</u>	<u>242,186</u>	<u>5,283,571</u>
Fund balances, ending	<u>\$ 5,734,426</u>	<u>\$ 307,910</u>	<u>\$ 170,682</u>	<u>\$ 6,213,018</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, 2014

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

Net changes in fund balances - total governmental funds	\$ 929,447
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Capital outlay	1,200,446
Depreciation	(678,568)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(115,184)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Proceeds from long-term debt	(85,975)
Debt service repayments	701,121
Amortization of debt issuance costs	(4,590)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	(18,957)
Accrued interest payable	3,205
	<hr/>
Total changes in net position of governmental activities	<u><u>\$ 1,930,945</u></u>

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

Graham County, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Balances

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

For the Fiscal Year Ended June 30, 2014

	General Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Ad valorem taxes	\$ 5,788,337	\$ 5,788,337	\$ 5,767,447	\$ (20,890)
Local option sales taxes	1,135,920	1,213,371	1,662,737	449,366
Other taxes and licenses	26,500	26,500	269,360	242,860
Unrestricted intergovernmental	815,048	815,048	1,147,510	332,462
Restricted intergovernmental	3,812,971	3,934,376	3,397,726	(536,650)
Other restricted revenues	16,300	36,300	55,168	18,868
Permits and fees	80,000	122,000	135,683	13,683
Sales and services	1,648,096	1,731,845	1,727,343	(4,502)
Investment earnings	5,000	5,000	7,083	2,083
Miscellaneous	12,100	14,383	57,577	43,194
Total revenues	<u>13,340,272</u>	<u>13,687,160</u>	<u>14,227,634</u>	<u>540,474</u>
EXPENDITURES				
Current:				
General government	2,266,898	2,531,627	2,363,200	168,427
Public safety	4,321,778	4,482,278	4,415,887	66,391
Economic and physical development	151,269	151,269	136,537	14,732
Human services	4,922,985	4,959,857	4,505,393	454,464
Cultural and recreational	396,741	417,791	393,491	24,300
Special appropriations	1,335,922	1,383,522	1,381,821	1,701
Total expenditures	<u>13,395,593</u>	<u>13,926,344</u>	<u>13,196,329</u>	<u>730,015</u>
Revenues over (under) expenditures	<u>(55,321)</u>	<u>(239,184)</u>	<u>1,031,305</u>	<u>1,270,489</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(115,000)	(115,418)	(418)
Proceeds from long term debt issue	-	162,946	85,975	(76,971)
Total other financing sources (uses)	<u>-</u>	<u>47,946</u>	<u>(29,443)</u>	<u>(77,389)</u>
Fund balance appropriated/(additions)	55,321	191,238	-	(191,238)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,001,862</u>	<u>\$ 1,001,862</u>
Fund balance, beginning as previously reported			4,653,612	
Prior period adjustment			(82,926)	
Fund balance, beginning as restated			<u>4,570,686</u>	
Fund balance, ending			<u>\$ 5,572,548</u>	
A legally budgeted Tax Revaluation is consolidated into the General Fund for reporting purposes:				
Investment earnings			179	
Expenditures			(21,066)	
Fund balance, beginning			<u>182,765</u>	
Fund balance, ending (Exhibit 4)			<u>\$ 5,734,426</u>	

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

Economic Development Fund			
Original Budget	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
148,268	148,268	137,658	(10,610)
-	-	-	-
-	-	-	-
-	-	9,338	9,338
-	-	-	-
<u>148,268</u>	<u>148,268</u>	<u>146,996</u>	<u>(1,272)</u>
-	-	-	-
-	-	-	-
148,268	148,268	127,020	21,248
-	-	-	-
-	-	-	-
-	-	-	-
<u>148,268</u>	<u>148,268</u>	<u>127,020</u>	<u>21,248</u>
-	-	19,976	19,976
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>19,976</u>	<u>\$ 19,976</u>
		287,934	
		-	
		<u>287,934</u>	
		<u>\$ 307,910</u>	

Graham County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

Exhibit 7

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 37,247
LIABILITIES	
Liabilities:	
Miscellaneous liabilities	\$ 35,491
Due to Town of Robbinsville	617
Due to Town of Santeetlah	35
Due to Town of Fontana	64
Intergovernmental payable -State of North Carolina	1,040
Total liabilities	\$ 37,247

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, 2014

Contents	Page
I. Summary of Significant Accounting Policies	29 - 37
A. Reporting Entity	29
B. Basis of Presentation, Basis of Accounting	29 - 31
C. Budgetary Data	32
D. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity	32 - 36
1. Deposits and Investments	32
2. Cash and Cash Equivalents	32
3. Restricted Assets	32 - 33
4. Ad Valorem Taxes Receivable	33
5. Allowances for Doubtful Accounts	33
6. Inventory and Prepaid Items	33
7. Capital Assets	33 - 34
8. Deferred outflows/inflows of resources	34
9. Long-Term Obligations	34
10. Compensated Absences	34
11. Net Position/Fund Balances	35 - 36
12. Reclassifications	36
13. Estimates	36
14. Major Taxpayer	36
E. Reconciliation of Government-wide and Fund Financial Statements	36 - 37
1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.	36
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.	37
II. Stewardship, Compliance and Accountability	37 - 38
A. Significant Violations of Finance-Related Legal and Contractual Provisions	37
1. Noncompliance with North Carolina General Statutes	37
B. Excess of Expenditures over Appropriations	38

Graham County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2014

Contents	Page
III. Detail Notes on All Funds	38 - 49
A. Assets	38 - 41
1. Deposits	38
2. Receivables - Allowance for Doubtful Accounts	39
3. Capital Assets	40 - 41
B. Liabilities	41 - 47
1. Payables	41
2. Pension Plan and Other Postemployment Obligations	41 - 44
3. Deferred Outflows and Inflows of Resources	44
4. Risk Management	44 - 45
5. Contingent Liabilities	45
6. Long-term Obligations	45 - 47
C. Prior Period Adjustment	47 - 48
D. Interfund Balances and Activity	48
E. Net Investment in Capital Assets	48
F. Fund Balance	49
Supplemental and Additional Supplemental One-Half of One Percent Local	
G. Government Sales and Use Taxes	49
IV. Joint Ventures	49
V. Jointly Governed Organizations	50
VI. Partnering Agreement	50
VII. Benefit Payments Issued by the State	50
VIII. Summary Disclosure of Significant Commitments and Contingencies	50
IX. Significant Effects of Subsequent Events	51

Graham County, North Carolina

Notes to the Financial Statements

For the Year Ended June 30, 2014

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Discretely Presented Component Units

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

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

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

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

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

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

The County reports the following major governmental funds:

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

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

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

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

Non-major Funds. The County maintains five legally budgeted funds. The Emergency Telephone System Fund, the Low-income Housing Repair or Rehabilitation Grant Project Fund, and the ARC Rural Center - Stanley Furniture Building Reuse Fund are reported as non-major special revenue funds. The Senior Center Capital Project Fund, and the 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. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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, 2013 through February, 2014 apply to the fiscal year ended June 30, 2014. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements and are offset by deferred inflows of resources.

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

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

C. Budgetary Data

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

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the County, T&T, and RDA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Graham County Restricted Cash			
Governmental Activities			
General Fund	Facility Fund	\$	3,422
	Register of Deeds AE&P Fund		100,505
	Duke Energy STW/Shareholder FDS		51,735
	Unexpended grant proceeds - transit		23,360
	Sheriff Impound Fees		3,071
	Sheriff Concealed Permits		19,543
	4H Youth Education		5,962
	Sheriff's Office Trust Account		1,650
	Sheriff NC Drug Tax Account		8,146
	Tax revaluation		162,575
Total General Fund Restricted Cash			379,969

3. Restricted Assets (continued)

EDC Special Revenue Fund	Capital lease revenues	308,010
Emergency Telephone Fund	911 emergency service	178,794
CDBG Scattered Site Fund	Unexpended grant proceeds	237
Rural Center Fund	Unexpended grant proceeds	1,929
Total Governmental Activities Restricted Cash		<u>\$ 868,939</u>

Discretely presented component units

<u>Graham County Travel & Tourism Authority</u>		
Governmental Activities		
General Fund	Capital Reserve	<u>\$ 8,069</u>

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, 2013. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

Discretely presented component units*Graham County Rural Development Authority*

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

7. Capital Assets

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

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

7. Capital Assets (continued)

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

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

Land and construction in progress are not depreciated.

Capital assets of the Graham County Travel and Tourism Authority are depreciated over their useful lives on a straight-line basis as follows:

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

Land and construction in progress are not depreciated.

8. Deferred outflows/inflows of resources

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

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities' statement of net position.

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

10. Compensated Absences

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

The sick leave policy of the County provides for unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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

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

Fund Balances

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

The governmental fund types classify fund balance as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. Net Position/Fund Balances (continued)

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

12. Reclassifications

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

13. Estimates

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

14. Major Taxpayer

The County has one major taxpayer with property valued at \$186,864,840.

E. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. The net adjustment of \$5,028,210 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)	\$ 15,389,151
Less accumulated depreciation	<u>(6,261,495)</u>
Net capital assets	9,127,656
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not current financial resources	40,930
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	10,772
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide statements	842,558
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(4,744,407)
Compensated absences	(230,545)
Accrued interest payable	<u>(18,754)</u>
Total adjustment	<u>\$ 5,028,210</u>

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$1,001,498 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,200,446
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	(678,568)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(85,975)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	701,121
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)	3,205
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	(18,957)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Increase in deferred inflows of resources - taxes receivable - at end of year	21,127
Increase in accrued taxes receivable at end of year	1,347
Capital lease receivable considered unavailable revenue in the fund statements but recorded as revenue in the government-wide statements	(137,658)
Total adjustment	<u>\$ 1,001,498</u>

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

The County was not in accordance with G.S. 159-28(b) because the \$467 transferred from the General Fund to the Transit Facility Capital Project Fund was in excess of the amounts appropriated in the budget ordinance. Subsequent to year-end, the budget was amended to include the total amount transferred.

The County was not in accordance with G.S. 159-28(b), which states that each check must bear on its face a preaudit certificate signed by the Finance Officer or a board approved Deputy Finance Officer. Of the County's bank accounts, two did not bear the required preaudit certificate on the face their checks.

B. Excess of Expenditures over Appropriations

In accordance with budgetary control procedures outlined in G.S. 159-28, expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. At June 30, 2014, Graham County reported the following expenditures which exceeded the amounts appropriated in the budget ordinance.

General Fund

Expenditures made in the County's General Fund exceeded the authorized appropriations made by the governing board for the communications department by \$8,350. This over-expenditure occurred because of unplanned payroll expenditures for necessary overtime and additional staff needed to meet state mandates. Management and the Board will more closely review the budget reports to ensure compliance in future years.

Transit Facility Capital Project Fund

Expenditures made in the County's Transit Facility Capital Project Fund exceeded the authorized appropriations made by the governing board for the project by \$467. This over-expenditure occurred because of unexpected overages during construction. Management and the Board will more closely review the budget reports to ensure compliance in future years.

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

All of the County's, T&T's, and RDA's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's, T&T's, or RDA's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, T&T, and RDA, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, T&T, RDA, or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, T&T or RDA under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The T&T and RDA have no formal policies regarding custodial credit risk for deposits.

At June 30, 2014, the County's deposits had a carrying amount of \$5,912,848 and a bank balance of \$6,443,924. Of the bank balance, \$500,000 was covered by federal depository insurance and \$5,943,924 was covered by collateral held under the Pooling Method.

At June 30, 2014, Graham County had \$401 cash on hand.

At June 30, 2014, the carrying amount of deposits for T&T was \$80,270 and the bank balance was \$86,116. All of the bank balance was covered by federal depository insurance.

At June 30, 2014, the carrying amount of deposits for RDA was \$105,671 and the bank balance was \$105,671. All of the bank balance was covered by federal depository insurance.

2. Receivables - Allowance for Doubtful Accounts

Receivables at the government-wide level at June 30, 2014, were as follows:

	Accounts	Taxes Receivable	Accrued Interest Receivable on Taxes	Direct Financing Lease	Total
Governmental Activities:					
General	\$ 27,611	\$ 559,724	\$ 10,772	\$ -	\$ 598,107
Other governmental	16,552	-	-	511,497	528,049
Total receivables	44,163	559,724	10,772	511,497	1,126,156
Allowance for doubtful accounts	7,971	228,663	-	-	236,634
Total governmental activities	\$ 36,192	\$ 331,061	\$ 10,772	\$ 511,497	\$ 889,522

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

For Graham County, the future minimum lease payments to be received and the net present value of these minimum lease payments to be received as of June 30, 2014, are as follows:

Year ending June 30,	
2015	\$ 146,912
2016	146,912
2017	146,912
2018	85,699
Total minimum lease payments to be received	526,435
Less: amount representing interest	14,938
Present value of the minimum lease payments to be received	\$ 511,497

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

Graham County Travel and Tourism Authority's \$36,964 in accounts receivable at June 30, 2014 are deemed to be fully collectible and are presented as unpaid balances.

Due from other governments that is owed to T&T consists of the amount of sales tax to refunded in the amount of \$7,280 at June 30, 2014.

Graham County Rural Development Authority

Due from other governments that is owed to RDA consists of advances to Graham County Board of Education for construction costs, as well as the value of a lot deeded to the school system for educational purposes, in the amount of \$95,000 at June 30, 2014. The school system plans to build a residential home as part of a partnering agreement with Graham County Rural Development Authority. Upon sale of the home, Graham County Rural Development Authority will be reimbursed \$15,000 for land and all advanced costs.

3. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2014, was as follows:

	Beginning Balances as Restated	Additions	Retirements	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 981,591	\$ -	\$ -	\$ -	\$ 981,591
Construction in progress	973,142	569,004	-	(1,542,146)	-
Total capital assets not being depreciated	1,954,733	569,004	-	(1,542,146)	981,591
Capital assets being depreciated:					
Buildings	5,361,278	-	-	1,542,146	6,903,424
Other improvements	1,094,872	30,474	-	-	1,125,346
Equipment	2,618,082	433,269	-	-	3,051,351
Vehicles	3,159,740	167,699	-	-	3,327,439
Total capital assets being depreciated	12,233,972	631,442	-	1,542,146	14,407,560
Less accumulated depreciation for:					
Buildings	1,303,964	136,182	-	-	1,440,146
Other improvements	168,730	44,625	-	-	213,355
Equipment	1,774,793	226,290	-	-	2,001,083
Vehicles	2,335,440	271,471	-	-	2,606,911
Total accumulated depreciation	5,582,927	678,568	-	-	6,261,495
Total capital assets being depreciated, net	6,651,045				8,146,065
Governmental activity capital assets, net	\$ 8,605,778				\$ 9,127,656

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

General government	\$ 52,836
Public safety	408,940
Economic and physical development	1,171
Human services	162,445
Cultural and recreational	53,176
Total depreciation expense	\$ 678,568

Construction commitments

The County completed two construction projects during the fiscal year ended June 30, 2014. There are no active construction projects as of June 30, 2014.

Project	Spent-to-date	Remaining Commitment
Transit Facility	\$ 826,728	\$ -
Senior Center	515,359	-
Total	\$ 1,342,087	\$ -

3. Capital Assets (continued)***Discretely presented component units****Graham County Travel and Tourism Authority*

Capital asset activity for the Graham County Travel and Tourism Authority for the year ended June 30, 2014, was as follows:

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Capital assets being depreciated:					
Equipment	\$ 14,069	\$ -	\$ -	\$ -	\$ 14,069
Total capital assets being depreciated	14,069	-	-	-	14,069
Less accumulated depreciation for:					
Equipment	10,480	1,133	-	-	11,613
Total accumulated depreciation	10,480	1,133	-	-	11,613
Total capital assets being depreciated, net	<u>\$ 3,589</u>				<u>\$ 2,456</u>

B. Liabilities**1. Payables**

Payables at the government-wide level at June 30, 2014, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 243,296	\$ 353,792	\$ 597,088
Other governmental	79,764	-	79,764
Total-governmental activities	<u>\$ 323,060</u>	<u>\$ 353,792</u>	<u>\$ 676,852</u>

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

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

Funding Policy: Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for general employees not engaged in law enforcement, for Department of Social Services employees, for Health Department employees, and for law enforcement officers is 11.91%, 7.07%, 7.07%, and 12.12%, respectively, of annual covered payroll. The contribution requirements of members and of Graham County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$418,574, \$408,266, and \$393,385, 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, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	15
Total	15

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

Basis of Accounting: The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments: No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. Contributions

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

4. Funded Status and Funding Progress

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy: Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$22,216, which consisted of \$22,216 from the County and \$0 from the law enforcement officers.

d. Registers of Deeds' Supplemental Pension Fund

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

Funding Policy: On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 3 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer to administer the Fund. For the fiscal year ended June 30, 2014, the County's required and actual contributions were \$549.

e. Other Postemployment Benefit

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

f. Other Employment Benefits

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

f. Other Employment Benefits (continued)

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

3. Deferred Outflows and Inflows of Resources

The amount of deferred outflows of resources is a charge on refunding of debt of \$40,930.

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

	Unavailable Revenue	Unearned Revenue
General Fund		
Prepaid taxes not yet earned	\$ 56,017	\$ 56,017
	331,061	-
Total General Fund	387,078	56,017
Capital lease receivable (EDC Special Revenue Fund)	511,497	-
Total deferred inflows of resources	\$ 898,575	\$ 56,017

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 \$10,403,504 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. 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 deputy finance officer and sheriff are individually bonded for \$25,000 each. Graham County Fire and Rescue has insurance coverage through the Volunteer Firemen's Insurance Services, Inc. The unit carries general liability coverage of \$1 million, auto liability coverage of \$1 million, real property coverage including earthquake and flood damage of \$1,580,048 and personal property coverage of \$232,995. They also have worker's compensation coverage of \$100,000 per accident and a policy limit of \$500,000 for disease.

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

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

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

Graham County Rural Development Authority

The Authority carries no insurance (i.e. general liability, automobile liability, property loss, public officials' liability, employee dishonesty coverage, worker's compensation. etc.).

5. Contingent Liabilities

At June 30, 2014, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

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

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

At June 30, 2014, the County leased vehicles and equipment valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles - Garbage Truck	\$ 130,000	\$ 58,500	\$ 71,500
Equipment - Cisco Phone Lease	80,138	20,989	59,149
Total	<u>\$ 210,138</u>	<u>\$ 79,489</u>	<u>\$ 130,649</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, are as follows:

Year ending June 30,	
2015	\$ 55,850
2016	55,850
2017	55,849
2018	6,495
Total minimum lease payments	<u>174,044</u>
Less: amount representing interest	<u>15,141</u>
Present value of the minimum lease payments	<u>\$ 158,903</u>

b. Installment Purchases

The County has entered into several installment purchase contracts. Installment purchase contracts outstanding at June 30, 2014, are as follows:

On September 12, 2003, the County entered into a \$1,075,218 installment purchase for a new transfer station. The installment purchase requires 21 semiannual payments of \$38,401 and one final payment of \$19,281, including interest at 5.07%. The installment purchase matures on September 12, 2014.	\$ 18,806
On February 13, 2012, the County entered into a \$70,461 installment purchase for a vehicle. The installment purchase requires three annual payments of \$25,511, including interest at 4.25%. The installment purchase matures on February 13, 2015.	24,472
On September 13, 2005, the County entered into a \$1,618,000 QZAB installment purchase for school improvements. The installment purchase requires 16 annual principal payments of \$84,394, and one final payment of \$267,704, including interest at zero percent. The installment purchase matures on September 13, 2021.	942,853
On November 21, 2006, the County entered into a \$2,100,000 installment purchase for the construction of the Health Department/EMS Building. The installment purchase requires 30 semi-annual principal payments of \$70,000; plus interest at 4.4%. The installment purchase matures on November 21, 2021.	1,050,000
On September 21, 2012, the County entered into a \$174,265 installment purchase for the purchase of a new EMS Ambulance. The installment purchase requires three annual payments of \$ 63,094, including interest at 4.25%. The installment purchase matures on September 21, 2015.	118,577
On June 7, 2013, the County entered into a \$214,481 installment purchase for the purchase of Sheriff and EMS vehicles. The installment purchase requires three annual payments of \$75,258, including interest at 2.61%. The installment purchase matures on June 7, 2016.	144,821
On June 9, 2014, the County entered into a \$89,875 installment purchase for the purchase of a 2014 ambulance. The installment purchase requires three annual payments of \$29,690, including interest at 1.79%. The installment purchase matures on June 4, 2017.	85,975
	<u>\$ 2,385,504</u>

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 425,357	\$ 56,638
2016	386,914	44,109
2017	253,562	32,936
2018	224,393	26,240
2019	224,394	20,066
2020-2024	870,884	23,153
Total	\$ 2,385,504	\$ 203,142

c. General Obligation Bonds

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

General obligation bonds:

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

\$ 2,200,000

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 210,000	\$ 93,000
2016	220,000	85,126
2017	230,000	76,326
2018	240,000	67,126
2019	250,000	57,226
2020-2024	1,050,000	117,602
Total	<u>\$ 2,200,000</u>	<u>\$ 496,406</u>

d. Long-Term Obligation Activity

	Beginning Balances	Additions	Retirements	Ending Balances	Due Within One Year
General Obligation Bonds	\$ 2,405,000	\$ -	\$ 205,000	\$ 2,200,000	\$ 210,000
Capital Leases	205,009	-	46,106	158,903	48,381
Installment Purchases	2,749,544	85,975	450,015	2,385,504	425,357
Compensated Absences	211,588	269,980	251,023	230,545	-
Total	<u>\$ 5,571,141</u>	<u>\$ 355,955</u>	<u>\$ 952,144</u>	<u>\$ 4,974,952</u>	<u>\$ 683,738</u>

No interest was capitalized during the year ended June 30, 2014; interest incurred and charged to expense totaled \$180,026.

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, 2014, Graham County had a legal debt margin of \$95,063,210.

Debt Related to Capital Activities - Of the total Governmental Activities debt listed only \$1,601,554 relates to assets the County holds title. Unspent restricted cash related to this debt amounts to \$0.

C. Prior Period Adjustment

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

Fund Balance: It was determined that the sales tax refund was overstated in both the General Fund and the Emergency Telephone System Fund.

General Fund Balance Previously Reported	\$ 4,653,612
Adjustment for overstated receivable	(82,926)
General Fund Balance As Restated	<u>\$ 4,570,686</u>
Emergency Telephone System Fund Balance Previously	\$ 243,470
Adjustment for overstated receivable	(2,257)
Emergency Telephone System Fund Balance As Restated	<u>\$ 241,213</u>

C. Prior Period Adjustment (continued)

Governmental Activities: In the Government-Wide statements net capital assets were understated by \$14,780, due to capital outlay in one of the capital project funds inadvertently was omitted from construction in progress. The restatement to net capital assets and the aforementioned fund balance adjustment for the sales tax refund decreased Net Position by \$70,403.

Net Position as previously reported	\$	9,380,686
Fund Balance adjustment for overstated receivable	(85,183)	
Adjustment for understatement of capital assets	<u>14,780</u>	
Net Prior Period Adjustment		<u>(70,403)</u>
Net Position as restated	\$	<u><u>9,310,283</u></u>

D. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2014, consist of the following:

Due to the General Fund from:

ARC Rural Center - Stanley Furniture Building Reuse Fund	\$	135
Low-income Housing Repair or Rehabilitation Grant Project Fund		987
Economic Development Fund		<u>100</u>
Total	\$	<u><u>1,222</u></u>

Due to the Emergency Telephone Fund from:

General Fund	\$	<u><u>1,749</u></u>
--------------	----	---------------------

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

Transfers to/from other funds at June 30, 2014 consisted of the following:

From the General Fund to the Transit Facility Capital Project Fund for final construction costs	\$	466
From the General Fund to the Senior Center Capital Project Fund for final construction costs		<u>114,952</u>
Total	\$	<u><u>115,418</u></u>

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

E. Net Investment in Capital Assets

Capital Assets, net of related debt at June 30, 2014, are computed as follows:

a. Capital assets, net of accumulated depreciation	\$	9,127,656
Less capital debt:		
Gross debt (excluding compensated absences)	4,744,407	
Less:		
School debt related to assets to which the County does not hold title	<u>3,142,853</u>	
Net capital debt		<u>1,601,554</u>
Capital assets, net of related debt	\$	<u><u>7,526,102</u></u>

F. Fund Balance

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

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

Total Fund Balance - General Fund	\$ 5,734,426
Less:	
Prepaid items	142,831
Stabilization by State Statute	859,418
Appropriated Fund Balance in 2015 budget	36,820
Register of Deeds	100,505
Human Services	23,360
Law Enforcement	24,264
Courts	3,422
Tax Revaluation	162,575
Remaining Fund Balance	\$ 4,381,231

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

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

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

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

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2014, the County reported these local option sales taxes within its General Fund. The County expended the restricted portion of these taxes to retire public school indebtedness.

IV. Joint Ventures

The County participates in a joint venture to operate the Nantahala Regional Library (Library) with six other local governments. The three participating counties may each appoint three board members to the nine-member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2014. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$64,500 to the Library to supplement its activities. Complete financial statements for the Library may be obtained from the Library's offices at 101-A Blumenthal Street, Murphy, NC 28906.

V. Jointly Governed Organizations

The County, in conjunction with seven other counties and fifteen municipalities, established the Southwestern N.C. Planning and Economic Development Commission (Commission). The participating governments established the Commission to coordinate funding received from various federal and State agencies. Each participating government appoints one member to the Commission's forty-four member governing board. The County paid membership fees of \$1,545 to the Commission during the fiscal year ended June 30, 2014.

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, 2014.

VI. Partnering Agreement

The Graham County Rural Development Authority entered into a partnering agreement with the Graham County Board of Education on January 10, 2012 to construct a dwelling house for resale on property held by the Graham County Rural Development Authority. In advance of the project, the Authority conveyed and sold a lot held by the Authority to the Graham County Board of Education for \$15,000. The two entities agreed that payment of \$15,000 for the lot would occur at the time that the house constructed by the Robbinsville High School vocational department is sold to a third party. In addition, the parties agreed that the Authority would advance to Graham County Board of Education a total of \$80,000 in four (4) installments of \$20,000 for the purchase of materials to construct the dwelling and that all materials for the dwelling would be purchased locally when possible. Upon completion and sale of the dwelling to a third party, the Graham County Board of Education will return the \$80,000 funds advanced during construction to the Authority. Following payment to the Authority for the cost of the lot and reimbursement of the construction advances, the net proceeds of the sale will be shared equally by the Authority and the Board of Education.

VII. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Temporary Assistance for Needy Families	\$ 42,946	\$ -
Medicaid	9,589,612	5,364,756
Food Stamp Program	2,277,072	-
WIC	198,051	-
SC/SA Domiciliary Care	-	92,108
Low Income Energy Assistance	57,900	-
IV-E Foster Care Assistance	50,696	31,092
IV-E Adopt Subsidy and Vendor	22,733	8,794
State Foster Care	9,785	-
	<u>\$ 12,248,795</u>	<u>\$ 5,496,750</u>

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

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

IX. Significant Effects of Subsequent Events

- A. On July 17, 2014 Graham County entered into a financing agreement for the purchase and installation of a VDI network computer system for the general use of the government in the amount of \$162,947. The loan is to be repaid in three consecutive annual payments of \$56,524, including interest at 1.99%. The first payment is due in July 2015, and the final payment is due July 2017.
- B. On August 12, 2014 Graham County received approval from the Local Government Commission in accordance with G.S. 159-51 to issue General Obligation Refunding Bond, Series 2014, not to exceed \$2,340,000, to replace the existing 2004 Refunding Bonds which had an outstanding balance of \$2,200,000 at June 30, 2014. Unless otherwise changed by the Pricing Certificate, the County shall issue the bond in the principal amount of \$2,323,000. The bond shall be dated as of its date of issuance, mature on June 1, 2023 and pay interest semiannually on June 1 and December 1, beginning December 1, 2014. The interest rate on the new bonds will be at 2.20%, and it is anticipated that this reduced rate of interest will result in a savings of approximately \$130,000 for the County.

The revised annual debt service requirements for the general obligation bonds to maturity would be as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 256,000	\$ 35,206
2016	245,000	45,474
2017	251,000	40,084
2018	258,000	34,562
2019	263,000	28,886
2020-2023	1,050,000	57,310
Total	<u>\$ 2,323,000</u>	<u>\$ 241,522</u>

- C. With regard to Graham County's \$973,000 direct financing lease with Stanley Furniture Company, Inc. which was entered into in January 2011 for the purchase of equipment, payments received through the date of the report have differed from the anticipated schedule of receipts disclosed in Note III.A.2. As of October 15, 2014, the entire \$511,497 of this leasing arrangement has been paid to Graham County, plus interest of \$2,288.
- D. The County was in the process of negotiations to purchase the former Wachovia Bank Building and the sanitation transfer station site from the Cody Family. A letter of intent to purchase was under draft whereby the County would commit to paying the Cody Family approximately \$1,000,000 for the two properties. The County desired to purchase the properties because they had been leased from the Cody Family for several years, and the County has already invested in excess of \$1,000,000 in them. The purchase of the property was consummated on November 17, 2014. The County intends to finance both expenditures with long term debt.

Discretely presented component unitsGraham County Rural Development Authority

- E. The house constructed by Graham County Schools, as a result of the partnering agreement with Graham County Rural Development Authority, was sold on September 15, 2014. A check in the amount of approximately \$111,215 was received by the Authority on September 16, 2014, for reimbursement for materials of \$80,000, reimbursement for land of \$15,000, and half of the remaining profit.

Combining and Individual Fund
Financial Statements Section

GENERAL FUND

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

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

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Current year taxes		\$ 5,427,871	
Prior year taxes		258,198	
Penalties and interest		81,378	
Total	<u>\$ 5,788,337</u>	<u>5,767,447</u>	<u>\$ (20,890)</u>
Local option sales taxes:			
Local option sales tax		1,394,084	
Medicaid hold harmless		268,653	
Total	<u>1,213,371</u>	<u>1,662,737</u>	<u>449,366</u>
Other taxes and licenses:			
Register of Deeds - excise tax		47,362	
Local occupancy tax		221,998	
Total	<u>26,500</u>	<u>269,360</u>	<u>242,860</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes		1,143,157	
Cable franchise fees		4,353	
Total	<u>815,048</u>	<u>1,147,510</u>	<u>332,462</u>
Restricted intergovernmental:			
State grants		2,530,009	
Federal grants		828,175	
Local grants		32,955	
Court facility fees		509	
Scrap tire disposal fee		3,223	
White goods disposal fee		2,855	
Total	<u>3,934,376</u>	<u>3,397,726</u>	<u>(536,650)</u>
Other restricted revenues:			
Private grants & contributions		55,168	
Total	<u>36,300</u>	<u>55,168</u>	<u>18,868</u>
Permits and fees:			
Building permits		45,002	
Register of deeds		84,256	
Health department well permits		6,425	
Total	<u>122,000</u>	<u>135,683</u>	<u>13,683</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sales and services:			
Rents, concessions, and fees		807,184	
Jail fees		5,113	
Ambulance fees		743,301	
Home health		24,484	
Tipping fees		89,829	
Recycling revenue		8,344	
Sheriff fees		49,088	
Total	<u>1,731,845</u>	<u>1,727,343</u>	<u>(4,502)</u>
Investment earnings:	<u>5,000</u>	<u>7,083</u>	<u>2,083</u>
Miscellaneous:			
Miscellaneous	<u>14,383</u>	<u>57,577</u>	<u>43,194</u>
Total revenues	<u>13,687,160</u>	<u>14,227,634</u>	<u>540,474</u>
EXPENDITURES			
General government:			
Governing body:			
Salaries and employee benefits		133,304	
Operating expenditures		91,942	
Contracted services		13,930	
Capital outlay		162,947	
Debt Service:			
Principal retirement		22,221	
Interest and other charges		5,767	
Total	<u>483,887</u>	<u>430,111</u>	<u>53,776</u>
Administration:			
Salaries and employee benefits		71,008	
Operating expenditures		126,063	
Insurance - general		279,581	
Contracted services		6,146	
Total	<u>514,180</u>	<u>482,798</u>	<u>31,382</u>
Board of Elections:			
Salaries and employee benefits		92,471	
Operating expenditures		36,392	
Total	<u>147,712</u>	<u>128,863</u>	<u>18,849</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Finance:			
Salaries and employee benefits		153,901	
Operating expenditures		8,481	
Contracted services		60,607	
Total	<u>223,229</u>	<u>222,989</u>	<u>240</u>
Tax assessor:			
Salaries and employee benefits		88,049	
Operating expenditures		5,630	
Contracted services		31,276	
Total	<u>128,256</u>	<u>124,955</u>	<u>3,301</u>
Tax collector:			
Salaries and employee benefits		74,502	
Operating expenditures		15,841	
Total	<u>95,358</u>	<u>90,343</u>	<u>5,015</u>
Tax mapping:			
Salaries and employee benefits		64,858	
Operating expenditures		1,130	
Contracted services		33,115	
Total	<u>113,924</u>	<u>99,103</u>	<u>14,821</u>
Register of deeds:			
Salaries and employee benefits		83,943	
Operating expenditures		67,214	
Contracted services		37,636	
Total	<u>198,323</u>	<u>188,793</u>	<u>9,530</u>
Public buildings:			
Salaries and employee benefits		115,286	
Operating expenditures		143,086	
Capital outlay		14,685	
Contracted services		9,950	
Total	<u>297,923</u>	<u>283,007</u>	<u>14,916</u>
Vehicle maintenance:			
Salaries and employee benefits		34,553	
Operating expenditures		7,622	
Contracted services		170	
Total	<u>43,228</u>	<u>42,345</u>	<u>883</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Computer support:			
Salaries and employee benefits		67,049	
Operating expenditures		10,905	
Capital outlay		12,606	
Contracted services		13,539	
Total	<u>106,820</u>	<u>104,099</u>	<u>2,721</u>
Cemetery:			
Salaries and employee benefits		134,492	
Operating expenditures		28,473	
Capital outlay		2,828	
Total	<u>178,787</u>	<u>165,793</u>	<u>12,994</u>
Total general government	<u>2,531,627</u>	<u>2,363,200</u>	<u>168,427</u>
Public safety:			
Sheriff department:			
Salaries and employee benefits		847,624	
Operating expenditures		212,023	
Contracted services		5,340	
Capital outlay		7,335	
Debt Service:			
Principal retirement		34,457	
Interest and other charges		2,799	
Total	<u>1,112,756</u>	<u>1,109,578</u>	<u>3,178</u>
Jail:			
Salaries and employee benefits		447,862	
Operating expenditures		217,525	
Contracted services		163,694	
Total	<u>829,639</u>	<u>829,081</u>	<u>558</u>
Ambulance service:			
Salaries and employee benefits		682,511	
Operating expenditures		130,850	
Capital outlay		93,337	
Debt Service:			
Principal retirement		90,891	
Interest and other charges		10,205	
Total	<u>1,016,551</u>	<u>1,007,794</u>	<u>8,757</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
District court:			
Operating expenditures		8,301	
Contracted services		3,470	
Total	<u>18,000</u>	<u>11,771</u>	<u>6,229</u>
Civil preparedness:			
Salaries and employee benefits		70,975	
Operating expenditures		1,494	
Debt Service:			
Principal retirement		46,030	
Interest and other charges		16,979	
Total	<u>146,673</u>	<u>135,478</u>	<u>11,195</u>
Communications:			
Salaries and employee benefits		302,234	
Operating expenditures		2,257	
Contracted services		3,644	
Total	<u>299,785</u>	<u>308,135</u>	<u>(8,350)</u>
Sanitary landfill:			
Salaries and employee benefits		267,484	
Operating expenditures		202,641	
Tipping fees		170,661	
Debt Service:			
Principal retirement		108,510	
Interest and other charges		8,530	
Total	<u>784,351</u>	<u>757,826</u>	<u>26,525</u>
EMS billing:			
Operating expenditures		73	
Contracted services		22,331	
Total	<u>32,888</u>	<u>22,404</u>	<u>10,484</u>
Contribution to NC Forest Service	<u>57,985</u>	<u>50,195</u>	<u>7,790</u>
Contributions to rescue and fire	<u>183,650</u>	<u>183,626</u>	<u>24</u>
Total public safety	<u>4,482,278</u>	<u>4,415,887</u>	<u>66,391</u>
Economic development:			
County planner:			
Salaries and employee benefits		43,455	
Operating expenditures		1,214	
Total	<u>57,009</u>	<u>44,669</u>	<u>12,340</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Building inspector:			
Salaries and employee benefits		79,668	
Operating expenditures		12,200	
Total	<u>94,260</u>	<u>91,868</u>	<u>2,392</u>
Total economic development	<u>151,269</u>	<u>136,537</u>	<u>14,732</u>
Human services:			
Health department:			
Administration:			
Communicable diseases:			
Salaries and employee benefits		8,397	
Operating expenditures		1,688	
Total		<u>10,085</u>	
Health promotion:			
Child health:			
Salaries and employee benefits		69,962	
Operating expenditures		3,218	
Total		<u>73,180</u>	
Tuberculosis:			
Maternal health:			
Salaries and employee benefits		35,822	
Operating expenditures		404	
Total		<u>36,226</u>	
Mountain Top health care clinic:			
Salaries and employee benefits		19,021	
Operating expenses		12,285	
Contracted services		11,149	
Total		<u>42,455</u>	
Home health:			
TB:			
Salaries and employee benefits		463	
Total		<u>463</u>	
Family planning:			
Salaries and employee benefits		60,064	
Operating expenditures		7,849	
Total		<u>67,913</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Maternal and child health:			
Salaries and employee benefits		41,773	
Operating expenditures		1,965	
Total		<u>43,738</u>	
Women, infants, and children:			
Environmental health:			
Salaries and employee benefits		78,058	
Operating expenditures		7,207	
Total		<u>85,265</u>	
Migrant health:			
HIV/STD:			
Salaries and employee benefits		1,789	
Total		<u>1,789</u>	
BCCP:			
Salaries and employee benefits		16,165	
Operating expenses		5,296	
Total		<u>21,461</u>	
Dental:			
Salaries and employee benefits		273,731	
Operating expenses		32,442	
Capital outlay		9,366	
Total		<u>315,539</u>	
Child service coordination:			
Salaries and employee benefits		23,437	
Total		<u>23,437</u>	
General:			
Salaries and employee benefits		43,698	
Operating expenses		49,146	
Capital outlay		28,843	
Debt Service:			
Principal retirement		93,970	
Interest and other charges		33,957	
Total		<u>249,614</u>	
IAP5.278:			
Salaries and employee benefits		9,343	
Total		<u>9,343</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Smart Start:			
Salaries and employee benefits		16,835	
Operating expenses		981	
Total		<u>17,816</u>	
WIC:			
Salaries and employee benefits		92,352	
Total		<u>92,352</u>	
Health department food and lodging:			
Salaries and employee benefits		5,847	
Operating expenses		580	
Total		<u>6,427</u>	
Adult health:			
Salaries and employee benefits		57,613	
Operating expenses		72,123	
Total		<u>129,736</u>	
Kate B. Reynolds Grant School Nurse Project:			
Salaries and employee benefits		105,510	
Operating expenses		15,925	
Medical director fees		500	
Total		<u>121,935</u>	
Bioterrorism Grant:			
Salaries and employee benefits		35,156	
Operating expenses		813	
Total		<u>35,969</u>	
CAP:			
Salaries and employee benefits		117,732	
Operating expenses		52,845	
Total		<u>170,577</u>	
Total Health Department	<u>1,743,502</u>	<u>1,555,320</u>	<u>188,182</u>
Veterans Service Officer:			
Salaries and employee benefits	<u>4,000</u>	<u>170</u>	<u>3,830</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Social services:			
Administration:			
Salaries and employee benefits		850,590	
Capital outlay		5,496	
Operating expenses		134,240	
Debt Service:			
Principal retirement		15,649	
Interest and other charges		1,358	
Total	<u>1,188,558</u>	<u>1,007,333</u>	<u>181,225</u>
Social service public assistance:			
Medical assistance		1,325	
Work first		676,604	
Foster care		2,700	
Special assistance		99,373	
Crisis intervention		106,080	
Foster care - clothing		272,762	
Total	<u>1,183,622</u>	<u>1,158,844</u>	<u>24,778</u>
Total social services	<u>2,372,180</u>	<u>2,166,177</u>	<u>206,003</u>
Senior citizens program:			
Administration:			
Salaries and employee benefits		100,024	
Operating expenses		29,336	
Capital outlay		20,563	
Contracted services		89,330	
Total senior citizens program	<u>270,307</u>	<u>239,253</u>	<u>31,054</u>
Transit:			
DOT transportation development grant			
Grant administrative expenditures:			
Salaries and employee benefits		99,231	
Operating expenditures		28,796	
Grant operating expenditures:			
Salaries and employee benefits		264,750	
Operating expenditures		58,854	
Capital outlay		92,842	
Total transit	<u>569,868</u>	<u>544,473</u>	<u>25,395</u>
Total human services	<u>4,959,857</u>	<u>4,505,393</u>	<u>454,464</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and recreational:			
4-H:			
Operating expenditures		21,146	
Total	<u>29,000</u>	<u>21,146</u>	<u>7,854</u>
Extension:			
Salaries and employee benefits		64,020	
Operating expenditures		6,933	
Total	<u>77,487</u>	<u>70,953</u>	<u>6,534</u>
Soil and water:			
Salaries and employee benefits		38,975	
Operating expenditures		6,178	
Total	<u>47,272</u>	<u>45,153</u>	<u>2,119</u>
Recreation:			
Salaries and employee benefits		86,624	
Operating expenditures		60,814	
Contracted services		8,403	
Total	<u>163,195</u>	<u>155,841</u>	<u>7,354</u>
Swimming pool:			
Salaries and employee benefits		18,020	
Operating expenditures		16,758	
Contracted services		1,120	
Total	<u>36,337</u>	<u>35,898</u>	<u>439</u>
Contributions to regional library	<u>64,500</u>	<u>64,500</u>	<u>-</u>
Total cultural and recreation	<u>417,791</u>	<u>393,491</u>	<u>24,300</u>
Special appropriations:			
Education:			
Public schools - current	570,000	570,000	-
Public schools - SRS USFS Timber	177,600	177,383	217
Debt Service:			
School Bond - capital outlay	205,000	205,000	-
School Bond - capital outlay - interest	100,431	100,431	-
QZAB debt - capital outlay	84,394	84,394	-
Total education	<u>1,137,425</u>	<u>1,137,208</u>	<u>217</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Contributions:			
Tri-County Community College	111,400	111,400	-
JCPC	86,997	86,513	484
Regional mental health	6,000	6,000	-
State of Franklin	4,000	4,000	-
Other special appropriations	37,700	36,700	1,000
Total special appropriations	<u>1,383,522</u>	<u>1,381,821</u>	<u>1,701</u>
 Total expenditures	 <u>13,926,344</u>	 <u>13,196,329</u>	 <u>730,015</u>
 Revenues over expenditures	 <u>(239,184)</u>	 <u>1,031,305</u>	 <u>1,270,489</u>
 OTHER FINANCING SOURCES (USES)			
Transfers to other funds:			
Senior Center Capital Project Fund	(115,000)	(114,951)	49
Transit Facility Capital Project Fund	-	(467)	(467)
Total net transfers	<u>(115,000)</u>	<u>(115,418)</u>	<u>(418)</u>
Proceeds from long term debt issued	162,946	85,975	(76,971)
Total other financing sources (uses)	<u>47,946</u>	<u>(29,443)</u>	<u>(77,389)</u>
 Appropriated fund balance	 191,238	 -	 191,238
 Net change in fund balance	 <u>\$ -</u>	 1,001,862	 <u>\$ 1,001,862</u>
 Fund balance, beginning as previously reported		4,653,612	
Prior period adjustment		<u>(82,926)</u>	
Fund balance, beginning		<u>4,570,686</u>	
 Fund balance, ending		 <u>\$ 5,572,548</u>	

Graham County, North Carolina

Revaluation Fund

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

For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Investment earnings	\$ -	\$ 179	\$ 179
EXPENDITURES			
General government:			
Contracted services		21,066	
Total expenditures	<u>40,000</u>	<u>21,066</u>	<u>18,934</u>
Revenues over (under) expenditures	<u>(40,000)</u>	<u>(20,887)</u>	<u>19,113</u>
OTHER FINANCING SOURCES (USES)			
Transfer in:			
General fund	25,000	-	(25,000)
Increase in fund balance for subsequent expenditures	<u>15,000</u>	-	<u>(15,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(20,887)</u>	<u>\$ (20,887)</u>
Fund balance, beginning		<u>182,765</u>	
Fund balance, ending		<u>\$ 161,878</u>	

MAJOR GOVERNMENTAL FUND

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

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

Graham County, North Carolina

Economic Development Fund

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

For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Other restricted revenues		\$ 137,658	
Investment earnings		9,338	
Total revenues	<u>\$ 148,268</u>	<u>146,996</u>	<u>\$ (1,272)</u>
EXPENDITURES			
		-	
Economic and physical development	<u>148,268</u>	<u>127,020</u>	<u>21,248</u>
Total expenditures	<u>148,268</u>	<u>127,020</u>	<u>21,248</u>
Revenues over (under) expenditures	<u>-</u>	<u>19,976</u>	<u>19,976</u>
Net change in fund balance	<u>\$ -</u>	<u>19,976</u>	<u>\$ 19,976</u>
Fund balance, beginning		<u>287,934</u>	
Fund balance, ending		<u>\$ 307,910</u>	

COMBINING STATEMENTS FOR NON-MAJOR GOVERNMENTAL FUNDS

The County has five non-major governmental funds.

Special Revenue Funds:

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

Capital Project Funds:

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

Graham County, North Carolina

Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2014

	Special Revenue Funds		
	Emergency Telephone Special Revenue Fund	Low-income Housing Repair or Rehabilitation Grant Project Fund	ARC Rural Center Stanley Furniture
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Restricted cash	178,794	237	1,929
Accounts receivable, net	16,552	-	-
Due from other governments	6,067	46,239	-
Due from other funds	1,749	-	-
Total assets	\$ 203,162	\$ 46,476	\$ 1,929
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 33,524	\$ 46,239	\$ -
Due to other funds	-	135	987
Total liabilities	33,524	46,374	987
Fund balances:			
Restricted:			
Stabilization by state statute	24,368	46,239	-
Economic and physical development	-	-	942
Human services	-	-	-
Public safety	145,270	-	-
Unassigned	-	(46,137)	-
Total fund balances	169,638	102	942
Total liabilities, deferred inflows of resources, and fund balances	\$ 203,162	\$ 46,476	\$ 1,929

Capital Projects Funds				
Total Non-Major Special Revenue Funds	Senior Center Construction Project Fund	Transit Facility Construction Capital Project Fund	Total Non-Major Capital Projects Funds	Total Non- Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -
180,960	-	-	-	180,960
16,552	-	-	-	16,552
52,306	-	-	-	52,306
1,749	-	-	-	1,749
\$ 251,567	\$ -	\$ -	\$ -	\$ 251,567
\$ 79,763	\$ -	\$ -	\$ -	\$ 79,763
1,122	-	-	-	1,122
80,885	-	-	-	80,885
70,607	-	-	-	70,607
942	-	-	-	942
-	-	-	-	-
145,270	-	-	-	145,270
(46,137)	-	-	-	(46,137)
170,682	-	-	-	170,682
\$ 251,567	\$ -	\$ -	\$ -	\$ 251,567

Graham County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue Funds			
	Emergency Telephone Special Revenue Fund	Low-income Housing Repair or Rehabilitation Grant Project Fund	ARC Rural Center Stanley Furniture	Total Non-Major Special Revenue Funds
REVENUES				
Restricted intergovernmental revenues	\$ 182,080	\$ 189,402	\$ 158,288	\$ 529,770
Investment earnings	209	39	32	280
Total revenues	<u>182,289</u>	<u>189,441</u>	<u>158,320</u>	<u>530,050</u>
EXPENDITURES				
Current:				
Public safety	253,864	-	-	253,864
Economic and physical development	-	189,402	158,288	347,690
Human services	-	-	-	-
Total expenditures	<u>253,864</u>	<u>189,402</u>	<u>158,288</u>	<u>601,554</u>
Excess (deficiency) of revenues over expenditures	<u>(71,575)</u>	<u>39</u>	<u>32</u>	<u>(71,504)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(71,575)	39	32	(71,504)
Fund balances, beginning as previously reported	243,470	63	910	244,443
Prior period adjustment	(2,257)	-	-	(2,257)
Fund balances, beginning as restated	<u>241,213</u>	<u>63</u>	<u>910</u>	<u>242,186</u>
Fund balances, ending	<u>\$ 169,638</u>	<u>\$ 102</u>	<u>\$ 942</u>	<u>\$ 170,682</u>

Capital Projects Funds			
Senior Center Construction Project Fund	Transit Facility Construction Capital Project Fund	Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds
\$ 400,408	\$ 53,178	\$ 453,586	\$ 983,356
-	-	-	280
400,408	53,178	453,586	983,636
-	-	-	253,864
-	-	-	347,690
515,359	53,645	569,004	569,004
515,359	53,645	569,004	1,170,558
(114,951)	(467)	(115,418)	(186,922)
114,951	467	115,418	115,418
114,951	467	115,418	115,418
-	-	-	(71,504)
-	-	-	244,443
-	-	-	(2,257)
-	-	-	242,186
\$ -	\$ -	\$ -	\$ 170,682

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Restricted intergovernmental		\$ 182,080	
Investment earnings		209	
Total revenues	<u>\$ 198,636</u>	<u>182,289</u>	<u>\$ (16,347)</u>
EXPENDITURES			
Public safety	<u>233,636</u>	<u>253,864</u>	<u>(20,228)</u>
Total expenditures	<u>233,636</u>	<u>253,864</u>	<u>(20,228)</u>
Revenues over (under) expenditures	<u>(35,000)</u>	<u>(71,575)</u>	<u>(36,575)</u>
Appropriated fund balance	35,000	-	(35,000)
Net change in fund balance	<u>\$ -</u>	<u>(71,575)</u>	<u>\$ (71,575)</u>
Fund balance, beginning as previously reported		243,470	
Prior period adjustment		<u>(2,257)</u>	
Fund balance, beginning as restated		<u>241,213</u>	
Fund balances, ending		<u>\$ 169,638</u>	

Graham County, North Carolina
Low-income Housing Repair or Rehabilitation Grant Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2014

	<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 Scattered Site Housing Grant	\$ 225,000	\$ -	\$ 185,406	\$ 185,406	\$ (39,594)
USDA Housing Preservation Grant	76,955	-	3,996	3,996	(72,959)
Total	301,955	-	189,402	189,402	(112,553)
Investment earnings	-	-	39	39	39
Total revenues	301,955	-	189,441	378,843	76,888
EXPENDITURES					
Economic and physical development:					
CDBG Scattered Site Housing Grant:					
Rehabilitation	197,500	-	165,406	165,406	32,094
Administration	22,500	-	20,000	20,000	2,500
Emergency repair	5,000	-	-	-	5,000
USDA Housing Preservation Grant					
Administration	15,391	-	3,750	3,750	11,641
Rehabilitation	61,564	-	246	246	61,318
Total expenditures	301,955	-	189,402	189,402	112,553
Revenues over (under) expenditures	-	-	39	189,441	189,441
Net change in fund balance	\$ -	\$ -	39	\$ 189,441	\$ 189,441
Fund balance, beginning			63		
Fund balance, ending			\$ 102		

Graham County, North Carolina

ARC Rural Center - Stanley Furniture Building Reuse Fund

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

For the Fiscal Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
REVENUES					
Restricted intergovernmental:					
Rural Economic Development Center Grant	\$ 365,000	\$ 33,641	\$ 158,288	\$ 191,929	\$ (206,712)
Investment earnings:	-	3	32	35	32
Total revenues	<u>365,000</u>	<u>33,644</u>	<u>158,320</u>	<u>191,964</u>	<u>(206,680)</u>
EXPENDITURES					
Economic development					
Pass through grant to Stanley Furniture	365,000	33,640	158,288	191,928	206,712
Total expenditures	<u>365,000</u>	<u>33,640</u>	<u>158,288</u>	<u>191,928</u>	<u>206,712</u>
Revenues over (under) expenditures	<u>-</u>	<u>4</u>	<u>32</u>	<u>36</u>	<u>32</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 4</u>	\$ 32	<u>\$ 36</u>	<u>\$ 32</u>
Fund balance, beginning			<u>910</u>		
Fund balances, ending			<u>\$ 942</u>		

Graham County, North Carolina

Senior Center Capital Project Fund

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

From Inception and for the Year Ended June 30, 2014

	<u>Actual</u>				
	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	
				<u>Variance Positive (Negative)</u>	
REVENUES					
Restricted intergovernmental:					
CDBG Contingency Grant	\$ 600,000	\$ 199,592	\$ 400,408	\$ 600,000	\$ -
Total revenues	<u>600,000</u>	<u>199,592</u>	<u>400,408</u>	<u>600,000</u>	<u>-</u>
EXPENDITURES					
Capital outlay:					
Human services:					
Construction	655,000	151,529	503,422	654,951	49
Administration	60,000	48,063	11,937	60,000	-
Total expenditures	<u>715,000</u>	<u>199,592</u>	<u>515,359</u>	<u>714,951</u>	<u>49</u>
Revenues over (under) expenditures	<u>(115,000)</u>	<u>-</u>	<u>(114,951)</u>	<u>(114,951)</u>	<u>49</u>
OTHER FINANCING SOURCES (USES)					
Transfer in:					
General fund	115,000	-	114,951	114,951	(49)
Total other financing sources (uses)	<u>115,000</u>	<u>-</u>	<u>114,951</u>	<u>114,951</u>	<u>(49)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

Graham County, North Carolina
Transit Facility Capital Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2014

	<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:					
ARRA - Federal Transit Capital					
Investment Grant	\$ 745,000	\$ 691,822	\$ 53,178	\$ 745,000	\$ -
NCDOT/ARRA Nonurbanized Grant	81,728	81,728	-	81,728	-
Total revenues	<u>826,728</u>	<u>773,550</u>	<u>53,178</u>	<u>826,728</u>	<u>-</u>
EXPENDITURES					
Capital outlay:					
Transportation:					
Construction	745,000	691,822	53,645	745,467	(467)
Engineering & design	81,728	81,728	-	81,728	-
Total expenditures	<u>826,728</u>	<u>773,550</u>	<u>53,645</u>	<u>827,195</u>	<u>(467)</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(467)</u>	<u>(467)</u>	<u>(467)</u>
OTHER FINANCING SOURCES (USES)					
Transfer in:					
General fund	-	-	467	467	467
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>467</u>	<u>467</u>	<u>467</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

AGENCY FUNDS

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

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

Graham County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Social Services</u>				
Assets:				
Cash and cash equivalents	\$ 39,191	\$ 199,256	\$ 204,530	\$ 33,917
Liabilities:				
Miscellaneous liabilities	\$ 39,191	\$ 199,256	\$ 204,530	\$ 33,917
<u>Fines and Forfeitures</u>				
Assets:				
Cash and cash equivalents	\$ 172	\$ -	\$ 172	\$ -
Liabilities:				
Intergovernmental payable - State of North Carolina	\$ 172	\$ -	\$ 172	\$ -
<u>Motor Vehicle Tax Fund</u>				
Assets:				
Cash and cash equivalents	\$ 499	\$ 12,906	\$ 12,689	\$ 716
Liabilities:				
Due to Town of Robbinsville	\$ 408	\$ 11,672	\$ 11,463	\$ 617
Due to Town of Santeetlah	27	802	794	35
Due to Town of Fontana	64	432	432	64
	<u>\$ 499</u>	<u>\$ 12,906</u>	<u>\$ 12,689</u>	<u>\$ 716</u>
<u>4-H Club</u>				
Assets:				
Cash and cash equivalents	\$ 1,134	\$ 5,034	\$ 4,594	\$ 1,574
Liabilities:				
Miscellaneous liabilities	\$ 1,134	\$ 5,034	\$ 4,594	\$ 1,574
<u>Deed of Trust Fee Fund</u>				
Assets:				
Cash and cash equivalents	\$ 509	\$ 9,044	\$ 8,513	\$ 1,040
Liabilities:				
Intergovernmental payable - State of North Carolina	\$ 509	\$ 9,044	\$ 8,513	\$ 1,040
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 41,505	\$ 226,240	\$ 230,498	\$ 37,247
Liabilities:				
Miscellaneous liabilities	\$ 40,325	\$ 204,290	\$ 209,124	\$ 35,491
Due to Town of Robbinsville	408	11,672	11,463	617
Due to Town of Santeetlah	27	802	794	35
Due to Town of Fontana	64	432	432	64
Intergovernmental payable - State of North Carolina	681	9,044	8,685	1,040
Total liabilities	<u>\$ 41,505</u>	<u>\$ 226,240</u>	<u>\$ 230,498</u>	<u>\$ 37,247</u>

OTHER SCHEDULES

This section includes additional information presented for purposes of additional analysis.

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

Graham County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2014

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 5,738,938	\$ 5,477,530	\$ 261,408
2012-2013	198,168	-	113,295	84,873
2011-2012	102,171	-	51,862	50,309
2010-2011	63,972	-	25,250	38,722
2009-2010	43,276	-	14,968	28,308
2008-2009	34,305	-	9,518	24,787
2007-2008	24,280	-	3,656	20,624
2006-2007	19,091	-	1,822	17,269
2005-2006	19,560	-	1,604	17,956
2004-2005	17,053	-	1,584	15,469
2003-2004	16,721	-	16,721	-
	<u>\$ 538,597</u>	<u>\$ 5,738,938</u>	<u>\$ 5,717,810</u>	559,725
Less: allowance for uncollectible accounts:				
General fund				<u>228,664</u>
Ad valorem taxes receivable - net:				
General fund				<u>\$ 331,061</u>
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General fund				
Taxes collected				\$ 5,686,069
Penalties and interest				81,378
				<u>5,767,447</u>
Reconciling items:				
Garnishment fees				(6,621)
Taxes written off				16,081
Less: interest collected				(59,166)
Other adjustments				69
Total reconciling items				<u>(49,637)</u>
Total collections and credits				<u>\$ 5,717,810</u>

Graham County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2014

	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	\$ 1,198,316,957	0.46	\$ 5,512,258	\$ 5,324,754	\$ 187,504
Motor vehicles taxed at prior year's rate	9,955,652	0.46	45,796	-	45,796
Penalties	-		9,623	9,623	-
Total	1,208,272,609		5,567,677	5,334,377	233,300
Discoveries:					
Current year taxes	51,523,913	0.46	237,010	237,010	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Total	51,523,913		237,010	237,010	-
Abatements	(14,293,261)		(65,749)	(36,161)	(29,588)
Total property valuation	\$ 1,245,503,261				
Net levy			5,738,938	5,535,226	203,712
Uncollected taxes at June 30, 2014			261,408	229,038	32,370
Current year's taxes collected			\$ 5,477,530	\$ 5,306,188	\$ 171,342
Current levy collection percentage			95.45%	95.86%	84.11%

Secondary Market Disclosures:

Assessed valuation:				
Assessment ratio ¹				100%
Real property			\$	1,174,223,729
Personal property				45,515,661
Public service companies ²				27,855,828
Total assessed valuation			\$	1,247,595,218
Tax rate per \$100				0.46
Levy (includes discoveries, releases and abatements) ³			\$	5,738,938

¹ Percentage of appraised value has been established by statute.

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

³ The levy includes interest and penalties.

Graham County, North Carolina
Ten Largest Taxpayers
For the Fiscal Year Ended June 30, 2014

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Brookfield Smoky Mountain	Commercial	\$ 186,864,840	14.98%
Duke Energy	Utility	24,240,319	1.94%
Stanley Furniture	Commercial	16,633,483	1.33%
Miller Reid Goldsby	Residential	7,680,930	0.62%
Cody Family and Heirs	Residential	4,907,687	0.39%
Ibex Thunderbird	Residential	4,788,650	0.38%
Crisp & Crisp, Inc.	Commercial	4,262,184	0.34%
Lance Venice Garland	Residential	3,833,220	0.31%
The Land Trust for Little Tennessee	Commercial	3,079,380	0.25%
Frontier	Utility	2,851,215	0.23%
Britthaven, Inc.	Nursing Home	2,342,170	0.19%
 Total		 <u><u>\$ 261,484,078</u></u>	 <u><u>20.96%</u></u>

Graham County, North Carolina
Emergency Telephone System Unspent Balance
PSAP Reconciliation
June 30, 2014

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	\$ (71,575)
Beginning Balance, PSAP Revenue - Expenditure Report	<u>243,468</u>
Ending Balance, PSAP Revenue - Expenditure Report	<u><u>\$ 171,893</u></u>

COMPLIANCE SECTION

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

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

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

To the Board of Commissioners
Graham County, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of Graham County, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises Graham County's basic financial statements, and have issued our report thereon dated November 24, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

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

November 24, 2014

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

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

Independent Auditors' Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance; In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

To the Board of Commissioners
Graham County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Graham County, North Carolina, compliance with the types of compliance requirements described in the OMB *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, 2014. Graham County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Graham County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Graham County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on U.S. Department of Health & Human Services - Medical Assistance Program

As described in the accompanying schedule of findings and questioned costs, Graham County did not comply with requirements regarding CFDA 93.778 U.S. Department of Health & Human Services - Medical Assistance Program as described in finding numbers 2014-1, 2014-3, and 2014-4 for Crosscutting and 2014-2 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Graham County to comply with the requirements applicable to that program.

Qualified Opinion on U.S. Department of Health & Human Services - Medical Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Graham County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 93.778 U.S. Department of Health & Human Services - Medical Assistance Program for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Graham County complied, in all material aspects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The results of our audit procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-1 through 2014-4. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of Graham County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Graham County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-1 through 2014-4 to be material weaknesses.

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 with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-1 through 2014-4 to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Turner, Hatchett & Turner, CPA's, P.A.
Murphy, North Carolina
November 24, 2014

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

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

Independent Auditors' Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance; In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

To the Board of Commissioners
Graham County, North Carolina

Report on Compliance for Each Major State Program

We have audited Graham County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Graham County's major state programs for the year ended June 30, 2014. Graham County's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Graham County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Graham County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on U.S. Department of Health & Human Services - Medical Assistance Program

As described in the accompanying schedule of findings and questioned costs, Graham County did not comply with requirements regarding CFDA 93.778 U.S. Department of Health & Human Services - Medical Assistance Program as described in finding numbers 2014-1, 2014-3, and 2014-4 for Crosscutting and 2014-02 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Graham County to comply with the requirements applicable to that program.

Qualified Opinion on U.S. Department of Health & Human Services - Medical Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Graham County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 93.778 U.S. Department of Health & Human Services - Medical Assistance Program for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major State Programs

In our opinion, Graham County complied, in all material aspects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major state programs identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The results of our audit procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-1 through 2014-4. Our opinion on each major state program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of Graham County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Graham County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-1 through 2014-4 to be material weaknesses.

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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-1 through 2014-4 to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Turner, Hatchett & Turner, CPA's, P.A.
Murphy, North Carolina
November 24, 2014

Graham County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material Weakness(es) identified _____ yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses _____ yes X no
- Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major federal programs:

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

Type of auditors' report issued on compliance for major federal programs: Unmodified, for all federal programs except for the Medical Assistance Program, which was modified.

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

CFDA#	Program Name
93.778	Medical Assistance Cluster: Medical Assistance Program
14.228	CDBG - State-Administered CDBG Cluster CDBG - Scattered Site Revitalization CDBG - Contingency - Public Facilities

The threshold for determining Type A and Type B programs \$ 368,184

Auditee qualified as low-risk auditee X yes _____ no

State Awards

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

Section II - Financial Statement Findings

None reported.

Graham County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section III - Federal Award Findings and Questioned Costs

U.S. Department of Health & Human Services

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

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

Grant Number: XXXX

Finding 2014-1

MATERIAL WEAKNESS

MATERIAL NONCOMPLIANCE

Crosscutting Requirements - Reporting

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

Condition: It appears that caseworkers are not keeping up with their time on the green day sheets on a daily basis. Of the sample day sheets tested we found variances between the amount of time reported on the day sheets and the amount of time submitted on the time sheets for payroll. The green day sheets also listed clients and the dates the case worker had worked on their file.

Questioned Costs: Unable to determine.

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

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

Recommendation: We recommend that the Board implement procedures to ensure compliance with this regulation as it relates to federal programs. This would include procedures such as the following: (1) implementation of the use of the State mandated day sheets for all Medicaid caseworkers (2) caseworkers should initial and date their entry to the case history in the client file so that it is clear who completed the entered task (3) re-determinations be performed in a timely manner.

Views of responsible officials and planned corrective actions: The Board agrees with this finding. Please refer to the corrective action plan on pages 97 and 98.

Graham County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

U.S. Department of Health & Human Services

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

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

Grant Number: XXXX

Finding 2014-2

MATERIAL WEAKNESS

MATERIAL NONCOMPLIANCE

Eligibility

Criteria: Local DSS offices use three manuals as guidelines for eligibility determination for Medicaid, the Aged, Blind and Disabled manual and the Family and Children Medicaid manual and the Integrated Policy Manual for the NC Work Support Strategies. The eligibility manuals provide detailed instructions to county social services workers for taking and processing applications, the time standard for making a determination, information required for specific groups of individuals/families to make a determination of eligibility or ineligibility, what information must be provided to applicants or beneficiaries of program benefits, required written and verbal notifications about the status of the application or continuation of benefits, periodic review of eligibility, and what forms must be used in the application and determination process. The case file (paper or electronic) must be maintained and updated as needed throughout the period of eligibility.

Condition: It appears that the case files are not being maintained and updated throughout the period of eligibility. For eleven files we were unable to reconcile the date the employee indicated having worked on the client file to the day sheets. We noted one exception where the verification of child support had not been included in the budget calculation. Two files were incomplete. The IM Supervisor could not locate three other files. We found required turn-around documents missing from six files.

Questioned Costs: Unable to determine.

Effect: There could be a change in benefits issued.

Cause: Error in documentation.

Recommendation: We recommend that the Board implement procedures to ensure compliance with this regulation as it relates to federal programs. This would include procedures such as the following: (1) implementation of the use of the State mandated day sheets for all Medicaid caseworkers (2) caseworkers should initial and date their entry to the case history in the client file so that it is clear who completed the entered task (3) re-determinations be performed in a timely manner.

Views of responsible officials and planned corrective actions: The Board agrees with this finding. Please refer to the corrective action plan on pages 97 and 98.

Graham County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

U.S. Department of Health & Human Services

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

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

Grant Number: XXXX

Finding 2014-3

SIGNIFICANT DEFICIENCY

Crosscutting Requirements - Reporting

Criteria: Salaries reported on DSS-1571 should agree with actual salaries paid as documented by payroll records.

Condition: It appears that employee files are not being updated in a timely manner to reflect the employee's current approved salary and/or change in position or job grade. Of the ten employee files included in our sample we found discrepancies between the salary being reported on the 1571 report and the current salary reflected in the employee's file.

Questioned Costs: Unable to determine.

Effect: Employees could be paid at an incorrect rate of pay.

Cause: Turnover in the Department of Social Services (DSS) and inadequate staff in DSS. Error in documentation.

Recommendation: We recommend that the Board implement procedures to ensure compliance with this regulation as it relates to federal programs, specifically as it relates to personnel documentation.

Views of responsible officials and planned corrective actions: The Board agrees with this finding. Please refer to the corrective action plan on pages 97 and 98.

Graham County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

U.S. Department of Health & Human Services

Passed-through the N.C. Dept. of Health and Human Services
Program Name: Medical Assistance Program (Medicaid; Title XIX)
Grant Number: XXXX

Finding 2014-4

SIGNIFICANT DEFICIENCY

Crosscutting Requirements – Internal Control for Info Systems (Output Controls)

Criteria: Applicants requesting emergency assistance through TANF and Crisis Intervention provide a bill to substantiate the assistance needed.

Condition: The client's application file lacked sufficient documentation to substantiate the need for the assistance requested.

Questioned Costs: Unable to determine.

Effect: Erroneous payments may be submitted, reducing the amount of funds available for assistance.

Cause: Failure by the DSS worker to acquire all the required documentation to support the applicant's request.

Recommendation: We recommend that the Board implement procedures to ensure compliance within the application process as it relates to these federal programs.

Views of responsible officials and planned corrective actions: The Board agrees with this finding. Please refer to the corrective action plan on pages 97 and 98.

Section IV – State Award Findings and Questioned Costs

See Finding 2014-1 through 2014-4

Graham County, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2014

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

Finding 2014-1

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

The Graham County Department of Social Services implemented an electronic day sheet system that is maintained on a contemporaneous basis and is monitored by the supervisors and the county finance officer. The finance officer of Graham County has apprised the Board of Commissioners of the problems encountered in the audit process. The electronic system is accessible to the finance officer for ongoing monitoring. Likewise, the Board of Commissioners have added staff in the finance office to allow the finance officer additional resources to monitor time sheets sent to payroll each pay period against the day sheet system. Errors and differences in the time sheets are reported to the DSS director for correction and possible disciplinary action in the event of recurrent issues. The finance officer will also be taking samples from the day sheet system and tracing work indicated on the day sheets into client files.

The County finance officer, the County manager, the DSS director, and the DSS Board Chair also contacted the Division of Social Services in the NCDHHS and requested additional support from State officials in the area of fiscal and operational support. The NCDHHS and the County have implemented a monthly conference call to track progress in corrective actions and to receive guidance in training, operational and logistical management and monitoring. The finance officer has also advised the Board of Commissioners and the DSS board chair of the necessity of ethics training for all county departments and is in the process of arranging training sessions with department managers and their subordinates.

Proposed Completion Date: - Ongoing

Finding 2014-2

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

The implementation of the electronic day sheet system has enabled workers to log their time worked on a contemporaneous basis while working on client issues. The finance officer of Graham County has apprised the Board of Commissioners of the problems encountered in the audit process. The electronic system is accessible to the finance officer for ongoing monitoring. Likewise, the Board of Commissioners have added staff in the finance office to allow the finance officer additional resources to monitor time sheets sent to payroll each pay period against the day sheet system. Errors and differences in the time sheets are reported to the DSS director for correction and possible disciplinary action in the event of recurrent issues. The finance officer will also be taking samples from the day sheet system and tracing work indicated on the day sheets into client files on a quarterly basis. Differences will be provided to the DSS director for correction, review, retraining and disciplinary action, if needed.

Following direction from State officials, the DSS director has implemented ongoing training programs which include peer review of client files and external training programs on documentation and client management.

Proposed Completion Date: - Ongoing

Graham County, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2014

Finding 2014-3

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

The DSS director has met with the County finance officer and human resources director to compare and align DSS personnel records to County HR records. They have implemented a system whereby files will be monitored on a quarterly basis for alignment. Any differences will be corrected with HR and finance for payroll.

Proposed Completion Date: - Ongoing

Finding 2014-4

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

The finance officer of Graham County has apprised the Board of Commissioners of the problems encountered in the audit process. Likewise, the Board of Commissioners have added staff in the finance office to allow the finance officer additional resources to monitor ongoing programs. The finance officer has arranged with the DSS director to implement a quarterly monitoring system to monitor compliance with eligibility requirements. Any problems noted will be reported to the DSS director for disciplinary action.

Proposed Completion Date: - Ongoing

Section IV – State Award Findings and Questioned Costs

See above listed Finding 2014-1 through 2014-4

Graham County, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2014

Finding 2013-1

Status: Improvements are still needed by the DSS caseworkers to complete the day sheets to account for 100% of their time. The client files should agree to the day sheets. The Finance Officer of the County remains in close contact with the DSS Board and the DSS director to monitor progress in all areas of DSS fiscal oversight.

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Department of Agriculture</u>					
<u>Food and Nutrition Service</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
<u>Supplemental Nutrition Assist. Program Cluster</u>					
Supplemental Nutrition Assist. Program - Fraud Admin	10.561	XXXX	493	-	493
State Administrative Matching Grants for					
the Supplemental Nutrition Assistance Program	10.561	XXXX	90,211	-	90,211
Supplemental Nutrition Assist. Program Cluster			90,704	-	90,704
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	65,526	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for					
Women, Infants, & Children	10.557	XXXX	198,051	-	-
Passed-through N.C. Dept. of Agriculture:					
<u>Emergency Food Assistance Cluster:</u>					
Emergency Food Assistance					
Program - Administrative Cost	10.568	XXXX	2,801	-	-
Emergency Food Assistance					
Program - Food Commodities	10.569	XXXX	7,372	-	-
Total Emergency Food Assistance Cluster			10,173	-	-
Rural Housing Service					
Rural Housing Preservation Grants	10.433	XXXX	3,996	-	-
Total U.S. Department of Agriculture			368,450	-	90,704
<u>U.S. Department of Housing and Urban Development</u>					
Passed through the N.C. Department of Commerce					
Community Development Block Grants/State's Program					
<u>CDBG - State-Administered CDBG Cluster</u>					
CDBG - Scattered Site Revitalization	14.228	XXXX	185,406	-	-
CDBG - Contingency - Public Facilities	14.228	XXXX	400,408	-	-
Total CDBG - State-Administered CDBG Cluster			585,814	-	-
Total U.S. Department of Housing and Urban Development			585,814	-	-
<u>U.S. Dept. of Transportation</u>					
<u>Federal Transit Administration</u>					
Passed-through the N.C. Department of Transportation:					
Formula Grants for Other than Urbanized Areas	20.509	XXXX	133,862	8,366	-
ARRA - Federal Transit Capital Investment Grants	20.509	XXXX	53,178	-	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	XXXX	34,843	29,310	-
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	XXXX	63,316	7,914	-
Total U.S. Dept. of Transportation			285,199	45,590	-
<u>U. S. Department of Homeland Security</u>					
Passed-through N.C. Dept. of Crime Control and Public Safety:					
Division of Emergency Management					
Home Land Security Grant Program	97.004	XXXX	35,317	-	-
Total U. S. Department of Homeland Security			35,317	-	-

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>U.S. Dept. of Health & Human Services</u>					
<u>Office of the Population Affairs</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Family Planning Services	93.217	XXXX	16,626	-	-
<u>Administration on Aging</u>					
<u>Division of Aging and Adult Services</u>					
Passed-through Red Bird Council of Governments:					
<u>Aging Cluster:</u> ⁴					
Nutrition Services Incentive Program	93.053	XXXX	137,951	-	13,795
Total Aging Cluster			137,951	-	13,795
<u>Administration for Children and Families</u>					
Social Service Block Grant (SSBG) - In Home Services	93.667	XXXX	11,267	-	3,756
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
<u>Foster Care and Adoption Cluster 4 (Note 3)</u>					
Title IV-E Foster Care - Administration	93.658	XXXX	46,546	-	46,546
Foster Care - Direct Benefit Payments	93.658	XXXX	50,696	31,092	12,701
Title IV-E Adoption Administration	93.659	XXXX	1,165	-	1,165
Adoption Assistance - Direct Benefit Payments	93.659	XXXX	22,733	8,794	70,007
Total Foster Care and Adoption			121,140	39,886	130,419
<u>Temporary Assistance for Needy Families Cluster</u>					
Temporary Assistance for Needy Families (TANF) /					
Work First	93.558	XXXX	138,466	-	68,041
TANF / Work First - Direct Benefit Payments	93.558	XXXX	42,946	-	-
Total TANF Cluster			181,412	-	68,041
N. C. Child Support Enforcement Section IV-D					
Administration	93.563	XXXX	67,513	-	34,780
Family Preservation	93.556	XXXX	4,476	-	-
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568	XXXX	6,959	-	-
Energy Assistance Payments- Direct Benefit Payments	93.568	XXXX	57,900	-	-
Crisis Intervention Program	93.568	XXXX	32,835	-	-
Child Welfare Services - State Grants					
- Adoption Subsidy - Direct Benefit Payments	93.645	XXXX	-	96,095	17,575
Child Welfare Services - State Grants					
- Permanency Planning - Families for Kids	93.645	XXXX	3,801	-	1,267
SSBG - TANF to SSBG	93.667	XXXX	36,019	-	-
SSBG - Other Service and Training	93.667	XXXX	28,679	4,315	10,998
Division of Child Development:					
Subsidized Child Care (Note 3)					
<u>Child Care Development Fund Cluster:</u>					
Division of Social Services:					
Child Care Development Fund-Administration	93.596	XXXX	80,000	-	-
Total Child Care Development Fund Cluster			80,000	-	-
Social Services Block Grant	93.667	XXXX	-	500	-
TANF	93.558	XXXX	483	-	-
Total Subsidized Child Care (Note 3)			80,483	500	-
<u>Centers for Medicare and Medicaid Services</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
<u>Medicaid Cluster</u>					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778	XXXX	9,589,612	5,364,756	-

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	XXXX	172,752	7,193	147,989
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	9,807	341	2,753
Direct Benefit Payments:					
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	355,201	112,069	-
Total Medicaid Cluster			10,127,372	5,484,359	150,742
<u>Centers for Disease Control</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Public Health Emergency Preparedness	93.069	XXXX	29,682	-	-
PPHF 2012: Breast and Cervical Cancer Screening Opportunities for States, Tribes, and Territories solely financed by 2012 Prevention and Public Health Funds	93.744	XXXX	460	-	-
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	XXXX	12,364	2,040	-
Preventive Health and Health Services Block Grant	93.991	XXXX	10,783	-	-
<u>Health Resources and Services Administration</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Maternal and Child Health Services Block Grant	93.994	XXXX	25,138	19,252	-
<u>Immunization Cluster</u>					
Immunization Grants	93.268	XXXX	5,165	-	-
Total Immunization Cluster			5,165	-	-
Total U.S. Dept. of Health and Human Services			10,998,025	5,646,447	431,373
Total federal awards			12,272,805	5,692,037	522,077
<u>N.C. Dept. of Administration</u>					
Veterans Service		XXXX	-	1,452	2,548
<u>N.C. Department of Environment and Natural Resources</u>					
Division of Waste Management					
White Goods Management Program		XXXX	-	2,855	-
Electronics Disposal Program		XXXX	-	582	-
Scrap Tire Program		XXXX	-	10,870	-
Division of Environmental Assistance and Outreach					
Community Waste Reduction and Recycling Grant		XXXX	-	8,283	-
Total N.C. Dept. of Environmental and Natural Resources			-	22,590	-
<u>N.C. Dept. of Health and Human Services</u>					
Division of Aging and Adult Services					
Division of Social Services:					
SC/SA Domiciliary Care		XXXX	-	92,108	92,108
SFHF Maximization		XXXX	-	15,186	15,186
State Foster Home		XXXX	-	9,785	9,785
County Funded Service		XXXX	-	-	179,219
Total Division of Social Service			-	117,079	296,298
Division of Public Health					
General Aid to Counties		XXXX	-	75,075	-
Environmental Health		XXXX	-	4,000	-
Food and Lodging Fees		XXXX	-	3,810	-
General Communicable Disease Control		XXXX	-	9,714	-
Maternal Health (HMHC)		XXXX	-	472	-
Risk Reduction Health Promotion		XXXX	-	6,285	-
School Health Centers		XXXX	-	43,840	-
School Nurse Initiatives		XXXX	-	50,000	-
TB Medical Service		XXXX	-	423	-
Tuberculosis		XXXX	-	249	-
Total Division of Public Health			-	193,868	-
Total N. C. Department of Health and Human Services			-	310,947	296,298

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>Department of Insurance</u>					
Seniors' Health Insurance Information Program		XXXX	-	4,347	-
Total Department of Insurance			-	4,347	-
<u>Office of the Governor</u>					
<u>Office of State Budget and Management</u>					
Passed through - N.C. General Assembly					
Rural Economic Development Center					
Economic Innovation Building Reuse Grant - Stanley Furniture		XXXX	-	158,288	158,288
New Generation Leadership Program		XXXX	-	14,000	-
Total Office of Governor			-	172,288	158,288
<u>NC Department of Public Safety</u>					
Division of Juvenile Justice and Delinquency Prevention					
Juvenile Crime Prevention Programs		XXXX	-	81,136	5,377
Total NC Department of Public Safety			-	81,136	5,377
<u>N.C. Dept. of Transportation</u>					
Rural Operating Assistance Program (ROAP)					
- ROAP Elderly and Disabled Transportation Assistance Program		XXXX	-	47,876	-
- ROAP Rural General Public Program		XXXX	-	51,566	-
- ROAP Work First Transitional - Employment Transportation Assistance Program		XXXX	-	4,277	-
Total ROAP			-	103,719	-
Total N.C. Dept. of Transportation			-	103,719	-
Total State awards			-	696,479	462,511
Total federal and State awards			12,272,805	6,388,516	984,588

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

- 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.

- 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>
Juvenile Crime Prevention Programs		XXXX		86,513

- 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, HEALTHNET