

Graham County, North Carolina
Financial Statements
June 30, 2015

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

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

Graham County, North Carolina

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Graham County, North Carolina

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FINANCIAL SECTION

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

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Independent Auditors' Report

To the Board of County Commissioners
Graham County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Graham County, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Graham County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Graham County, North Carolina, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the General Fund and the Economic Development Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note XI to the financial statements, in 2015 the County adopted new accounting guidance, *Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions* (an amendment of *GASB Statement No. 27*). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System Schedules of the Proportionate Share of Net Pension Asset and Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the Proportionate Share of the Net Pension Asset and Schedule of County Contributions on pages 7 through 13, 50, 51, 52, and 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 Office and 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 October 30, 2015 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

October 23, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Graham County, North Carolina

Management's Discussion and Analysis

June 30, 2015

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, 2015. 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

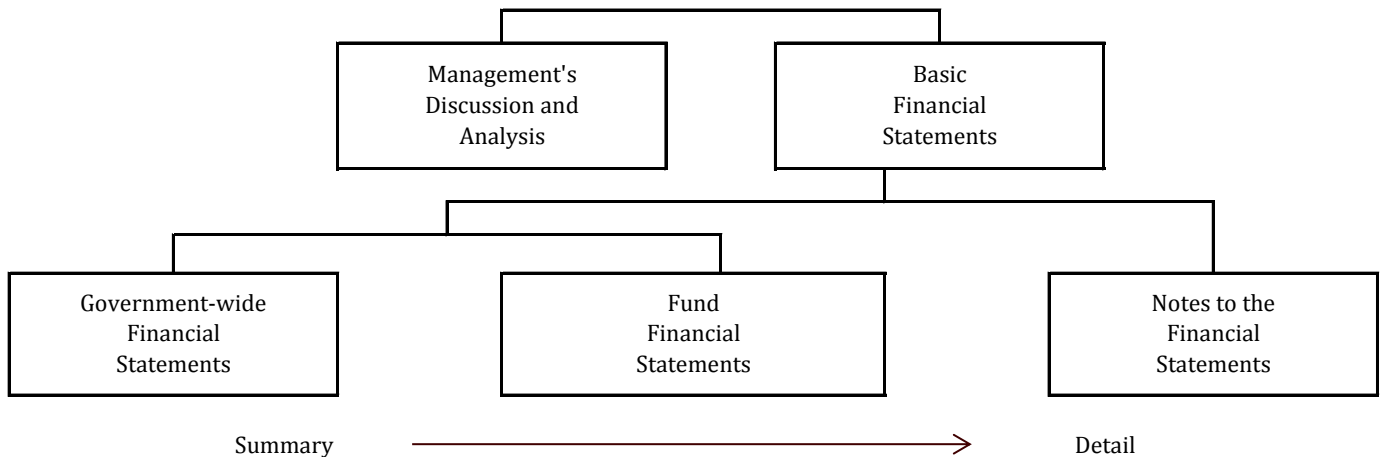
- The assets and deferred outflows of resources of Graham County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$13,610,757 (net position).
- The government's total net position increased by \$2,785,119.
- As of the close of the current fiscal year, Graham County's governmental funds reported combined ending fund balances of \$7,566,190, after a net increase in fund balance of \$1,333,530, primarily due to management's focus on monitoring spending and maximizing revenue collection. Approximately 34.23 percent of this total amount, or \$2,589,792, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,976,398, or 36.27 percent of total general fund expenditures for the fiscal year.
- Graham County, North Carolina's total debt decreased by \$333,868 (7.04%) during the current fiscal year. The general obligation bonds were refunded during the current fiscal year at a lower interest rate, which should ultimately save the County in excess of \$100,000 over the life of the bonds. Graham County's proceeds from installment purchases were used for the acquisition of a VDI network computer system and five vehicles for the Sheriff's Department. The primary factor in the net decrease in debt was the scheduled principal repayments in excess of any current year proceeds.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the enhanced accounting and financial reporting related to pensions for governments. Required supplementary information can be found beginning on page 49 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 \$13,610,757 as of June 30, 2015. The County's net position increased by \$2,785,119 for the fiscal year ended June 30, 2015. One of the largest portions \$9,004,674 (66.16%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Graham County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Graham County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Graham County's net position \$2,158,148 (15.86%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,447,935 is unrestricted.

Graham County, North Carolina's Net Position

Figure 2

	Governmental Activities	
	2015	2014
Current and other assets	\$ 8,840,948	\$ 7,799,217
Capital assets	10,489,753	9,127,656
Deferred outflows of resources	437,382	40,930
Total assets and deferred outflows of resources	19,768,083	16,967,803
Long-term liabilities outstanding	3,660,496	4,291,214
Other liabilities	1,620,760	1,379,344
Deferred inflows of resources	876,070	56,017
Total liabilities and deferred inflows of resources	6,157,326	5,726,575
Net position:		
Net investment in capital assets	9,004,674	7,526,102
Restricted	2,158,148	1,698,273
Unrestricted	2,447,935	2,016,853
Total net position	\$ 13,610,757	\$ 11,241,228

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 96.72% (ad valorem), lower than the statewide average of 97.97%, and slightly higher than the county average of 96.05% for counties with populations of 24,999 and below. The percentage collection rate increased slightly due to increased vigilance on the part of the Tax Collector to collect taxes in a timely manner.
- Continued pay down of debt balances positively influenced net position.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget.

Graham County, North Carolina's Changes in Net Position

Figure 3

	Governmental Activities	
	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 1,997,309	\$ 1,858,592
Operating grants and contributions	3,617,064	3,791,800
Capital grants and contributions	31,987	648,884
General revenues:		
Property taxes	5,543,307	5,789,921
Other taxes	1,950,468	1,932,097
Grants and contributions not restricted to specific programs	1,023,100	1,147,510
Investment earnings, unrestricted	9,723	16,880
Other	58,284	57,577
Total revenues	<u>14,231,242</u>	<u>15,243,261</u>
Expenses:		
General government	2,450,607	2,466,509
Public safety	4,109,142	4,495,125
Economic and physical development	200,513	612,409
Human services	4,056,591	4,362,677
Cultural and recreational	444,344	446,801
Education	799,692	747,384
Interest on long-term debt	169,834	181,411
Total expenses	<u>12,230,723</u>	<u>13,312,316</u>
Change in net position before transfers and special item	2,000,519	1,930,945
Special item - donated property	784,600	-
Change in net position after transfers and special item	2,785,119	1,930,945
Net position, beginning, restated	10,825,638	9,310,283
Net position, ending	<u>\$ 13,610,757</u>	<u>\$ 11,241,228</u>

Governmental activities. Governmental activities increased the County's net position by \$2,785,119. Key elements of this increase are as follows:

- Property tax collections decreased by a total of \$246,614 (4.26%) as anticipated due to the closing of Stanley Furniture Company.
- The \$138,717 increase in charges for services was primarily due to an increase in services provided by the Health Department, meals provided to the jail inmates, and the inclusion of the Soil and Water Conservation cost share.
- Grant revenues decreased significantly because the County had no active construction projects ongoing during the year.
- Management's adherence to strict spending policies contributed to the decrease in expenditures.
- A donation of land from Stanley Furniture Company was received with a market value of \$784,600.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of Graham County. At the end of the current fiscal year, Graham County's fund balance available in the General Fund was \$5,466,118 while total fund balance reached \$6,411,836. 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 40.65% of general fund expenditures, while total fund balance represents 47.68% of that same amount.

At June 30, 2015, the governmental funds of Graham County reported a combined fund balance of \$7,566,190, a 21.40% 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 \$317,020. 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, 2015, total \$10,489,753 (net of accumulated depreciation). These assets include land, construction in progress, buildings, equipment, and vehicles.

Major capital asset transactions during the year included:

- Purchased a building for the Sheriff's Department for \$583,070.
- Purchased a transfer station location for \$452,519.
- Purchased vehicles and improvements for the Sheriff's Department totaling \$132,312.
- Completed various Community Center renovations totaling \$81,199.
- Purchased Microsoft Office 365 Licensing to benefit all departments for \$21,600.
- Received donated land valued at \$784,600.

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

Figure 4

Governmental Activities:	2015	2014
Land	\$ 1,766,191	\$ 981,591
Construction in progress	-	-
Buildings	6,401,873	5,463,278
Other improvements	879,216	911,991
Equipment	872,165	1,050,268
Vehicles	570,308	720,528
Total	\$ 10,489,753	\$ 9,127,656

Construction commitments

There are no active construction projects as of June 30, 2015.

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, 2015, Graham County, North Carolina had total bonded debt outstanding of \$2,067,000 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:	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 2,067,000	\$ 2,200,000
Capital leases	110,522	158,903
Installment purchases	<u>2,233,017</u>	<u>2,385,504</u>
Total	<u>\$ 4,410,539</u>	<u>\$ 4,744,407</u>

Graham County, North Carolina's total debt decreased by \$333,868 (7.04%) during the current fiscal year. The general obligation bonds were refunded during the current fiscal year at a lower interest rate, which should ultimately save the County in excess of \$100,000 over the life of the bonds. Graham County's proceeds from installment purchases were used for the acquisition of a VDI network computer system and five vehicles for the Sheriff's Department. The primary factor in the net decrease in debt was the scheduled principal repayments in excess of any current year proceeds.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Graham County is \$91,210,522.

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.

- Property taxes (benefiting from the economic growth) and shared revenues are expected to lead the increase in revenue projections by 16.81%. The County will use these increases in revenues to finance programs currently in place.
- County leaders also have continued with stringent controls over spending to help maintain reserves during the current state of the economy.
- The current unemployment rate for Graham County is 12.2% in June 2015, which is significantly higher than the state average of 6.1 percent.

Budget Highlights for the Fiscal Year Ending June 30, 2016

The property tax rate was increased to \$.585 to increase current tax revenue streams. The County anticipates receiving approximately \$392,500 in loan proceeds. The total projected expenditures are higher than the 2014-2015 levels, primarily in the areas of general government and public safety. The County has chosen to appropriate fund balance in the fiscal year 2016 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.

The County has also budgeted for a \$500,000 Capital Project Fund to account for the construction of the PARTF Stanley Park Project.

Graham County entered into a grant agreement with the North Carolina 911 Board for approximately \$3,400,000. The purpose of this grant is for the construction of a new facility on property owned by Graham County which will house sufficient 911 system equipment and telecommunicators together with other necessary personnel for Graham County.

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, 2015

	Primary	Component Units	
	Government	Travel and	Rural
	Governmental	Tourism Authority	Development
	Activities		Authority
ASSETS			
Cash and cash equivalents	\$ 5,698,466	\$ 118,591	\$ 212,090
Restricted cash and cash equivalents	1,588,016	19,161	-
Investments	5,068	-	-
Receivables, net	288,928	26,921	-
Due from other governments	631,468	7,720	-
Due from component unit	5,137	-	-
Assets held for resale	-	-	24,561
Prepaid items	286,569	-	-
Net pension asset	337,296	-	-
Capital assets:			
Land, improvements, and construction in progress	1,766,191	-	-
Other capital assets, net of depreciation	8,723,562	1,322	-
Total capital assets	10,489,753	1,322	-
Total assets	19,330,701	173,715	236,651
DEFERRED OUTFLOWS OF RESOURCES	437,382	-	-
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	592,248	6,761	-
Accrued interest payable	15,605	-	-
Due to primary government	-	5,137	-
Current portion of long-term liabilities	1,012,907	-	-
Total current liabilities:	1,620,760	11,898	-
Long-term liabilities:			
Due in more than one year	3,660,496	-	-
Total liabilities	5,281,256	11,898	-
DEFERRED INFLOWS OF RESOURCES	876,070	-	-
NET POSITION			
Net investment in capital assets	9,004,674	1,322	-
Restricted for:			
Human services	39,863	-	-
Public safety	314,387	-	-
Economic development	823,414	-	-
Register of deeds	111,019	-	-
Stabilization by state statute	675,702	34,641	-
Courts	6,452	-	-
Law enforcement	26,746	-	-
Tax revaluation	160,565	-	-
Unrestricted	2,447,935	125,854	236,651
Total net position	\$ 13,610,757	\$ 161,817	\$ 236,651

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

Graham County, North Carolina

Statement of Activities

For the Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Total	Travel and Tourism Authority	Rural Development Authority
Primary government:								
Governmental Activities:								
General government	\$ 2,450,607	\$ 110,299	\$ -	\$ -	\$ (2,340,308)	\$ (2,340,308)		
Public safety	4,109,142	1,013,423	271,247	-	(2,824,472)	(2,824,472)		
Economic and physical development	200,513	6,956	66,775	-	(126,782)	(126,782)		
Human services	4,056,591	796,730	2,988,727	-	(271,134)	(271,134)		
Cultural and recreation	444,344	69,901	65,617	31,987	(276,839)	(276,839)		
Education	799,692	-	224,698	-	(574,994)	(574,994)		
Interest on long-term debt	169,834	-	-	-	(169,834)	(169,834)		
Total governmental activities	\$ 12,230,723	\$ 1,997,309	\$ 3,617,064	\$ 31,987	(6,584,363)	(6,584,363)		
Component units:								
Travel and Tourism Authority	\$ 137,804	\$ -	\$ -	\$ -			\$ (137,804)	\$ -
Rural Development Authority	4,988	-	-	-			-	(4,988)
Total component units	\$ 142,792	\$ -	\$ -	\$ -			(137,804)	(4,988)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					5,543,307	5,543,307	-	-
Local option sales tax					1,591,476	1,591,476	-	-
Other taxes and licenses					358,992	358,992	190,618	-
Grants and contributions not restricted to specific programs					1,023,100	1,023,100	-	-
Investment earnings, unrestricted					9,723	9,723	186	191
Miscellaneous, unrestricted					58,284	58,284	658	16,216
Total general revenues excluding transfers and special items					8,584,882	8,584,882	191,462	16,407
Special item - donated property					784,600	784,600	-	-
Total general revenues, special items, and transfers					9,369,482	9,369,482	191,462	16,407
Change in net position					2,785,119	2,785,119	53,658	11,419
Net position, beginning previously reported					11,241,228	11,241,228	108,159	225,232
Prior period adjustment/restatement					(415,590)	(415,590)	-	-
Net position, beginning as restated					10,825,638	10,825,638	108,159	225,232
Net position, ending					\$ 13,610,757	\$ 13,610,757	\$ 161,817	\$ 236,651

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

Balance Sheet
Governmental Funds
June 30, 2015

	Major		Non-Major	Total Governmental Funds
	General	Economic Development Fund	Other Governmental Funds	
ASSETS				
Cash and cash equivalents	\$ 5,698,466	\$ -	\$ -	\$ 5,698,466
Restricted cash	439,919	822,362	325,735	1,588,016
Investments	5,068	-	-	5,068
Receivables, net				
Taxes	251,383	-	-	251,383
Accounts	12,259	-	16,553	28,812
Capital lease receivable				-
Due from other governments	631,468	-	-	631,468
Due from other funds	10,285	-	-	10,285
Due from component unit	5,137	-	-	5,137
Prepaid items	286,569	-	-	286,569
Total assets	\$ 7,340,554	\$ 822,362	\$ 342,288	\$ 8,505,204
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 592,237	\$ -	\$ 11	\$ 592,248
Due to other funds	-	-	10,285	10,285
Total liabilities	592,237	-	10,296	602,533
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	251,383	-	-	251,383
Unearned revenue	85,098	-	-	85,098
Total deferred inflows of resources	336,481	-	-	336,481
Fund balances:				
Non Spendable:				
Prepaid items	286,569	-	-	286,569
Restricted:				
Register of deeds	111,019	-	-	111,019
Stabilization by state statute	659,149	-	16,553	675,702
Human services	39,863	-	-	39,863
Law enforcement	26,746	-	-	26,746
Public safety	-	-	314,387	314,387
Economic development	-	822,362	1,052	823,414
Courts	6,452	-	-	6,452
Committed:				
Tax revaluation	160,565	-	-	160,565
Assigned				
Subsequent year's expenditures	145,075	-	-	145,075
Unassigned:	4,976,398	-	-	4,976,398
Total fund balances	6,411,836	822,362	331,992	7,566,190
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,340,554	\$ 822,362	\$ 342,288	\$ 8,505,204

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:

Balance Sheet

Governmental Funds

June 30, 2015

Total Fund Balance, Governmental Funds	7,566,190
Deferred charges related to current refunding bond issue	40,192
Interest receivable accrued on property taxes are not current financial resources and therefore are not reported in the funds	8,733
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	10,489,753
Net pension asset	337,296
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	397,050
Deferred inflows of resources for taxes and capital lease receivable	251,383
Pension related deferrals	(790,832)
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	(15,605)
Long-term obligations	<u>(4,673,403)</u>
Net position of governmental activities	<u>\$ 13,610,757</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, 2015

	Major		Non-Major	Total Governmental Funds
	General Fund	Economic Development Fund	Other Governmental Funds	
REVENUES				
Ad valorem taxes	\$ 5,625,024	\$ -	\$ -	\$ 5,625,024
Local option sales taxes	1,591,476	-	-	1,591,476
Other taxes and licenses	358,992	-	-	358,992
Unrestricted intergovernmental	1,023,100	-	-	1,023,100
Restricted intergovernmental	3,355,548	-	265,408	3,620,956
Other restricted revenue	22,888	511,497	-	534,385
Permits and fees	124,697	-	-	124,697
Sales and services	1,877,819	-	-	1,877,819
Investment earnings	6,577	2,955	191	9,723
Miscellaneous	58,284	-	-	58,284
Total revenues	14,044,405	514,452	265,599	14,824,456
EXPENDITURES				
Current:				
General government	2,328,874	-	-	2,328,874
Public safety	5,241,785	-	56,322	5,298,107
Economic and physical development	132,529	-	66,775	199,304
Human services	4,148,505	-	-	4,148,505
Cultural and recreational	416,620	-	-	416,620
Intergovernmental:				
Education	1,175,292	-	-	1,175,292
Special appropriations	231,090	-	-	231,090
Debt service:				
Bond issuance costs	45,000	-	-	45,000
Total expenditures	13,719,695	-	123,097	13,842,792
Excess (deficiency) of revenues over expenditures	324,710	514,452	142,502	981,664
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	2,323,000	-	-	2,323,000
Payment to refunding bond escrow agent	(2,200,000)	-	-	(2,200,000)
Discounts on debt issued	(44,000)	-	-	(44,000)
Proceeds from long-term debt	272,866	-	-	272,866
Total other financing sources (uses)	351,866	-	-	351,866
Net change in fund balance	676,576	514,452	142,502	1,333,530
Fund balance, beginning				
as previously reported	5,734,426	307,910	170,682	6,213,018
Prior period adjustment	834	-	18,808	19,642
Fund balances, beginning as restated	5,735,260	307,910	189,490	6,232,660
Fund balances, ending	\$ 6,411,836	\$ 822,362	\$ 331,992	\$ 7,566,190

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, 2015

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

Net changes in fund balances - total governmental funds	\$ 1,333,530
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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.

Capital outlay	1,347,369
Depreciation	(769,872)

Contributions to the pension plan in the current fiscal year not included on the statement of activities	397,050
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Amount of donated assets	784,600
Change in unavailable revenue for tax revenues	(81,717)
Change in unavailable revenue for capital lease receivable	(511,497)

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.

Proceeds from long-term debt	(2,595,866)
Debt service repayments	2,929,734
Amortization of debt issuance costs	(738)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(32,319)
Pension related	(18,304)
Accrued interest payable	<u>3,149</u>

Total changes in net position of governmental activities	<u><u>\$ 2,785,119</u></u>
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The notes to the financial statements are an integral part of this statement.

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

	General Fund				Economic Development Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES								
Ad valorem taxes	\$ 5,502,180	\$ 5,502,180	\$ 5,625,024	\$ 122,844	\$ -	\$ -	\$ -	\$ -
Local option sales taxes	1,414,000	1,546,400	1,591,476	45,076	-	-	-	-
Other taxes and licenses	330,000	330,000	358,992	28,992	-	-	-	-
Unrestricted intergovernmental	884,500	884,500	1,023,100	138,600	-	-	-	-
Restricted intergovernmental	3,773,837	3,818,741	3,355,548	(463,193)	-	-	-	-
Other restricted revenues	20,500	20,500	22,888	2,388	150	150	511,497	511,347
Permits and fees	100,000	100,000	124,697	24,697	-	-	-	-
Sales and services	1,477,296	1,609,730	1,877,819	268,089	-	-	-	-
Investment earnings	5,500	5,500	6,419	919	-	-	2,955	2,955
Miscellaneous	2,250	9,532	58,284	48,752	-	-	-	-
Total revenues	13,510,063	13,827,083	14,044,247	217,164	150	150	514,452	514,302
EXPENDITURES								
Current:								
General government	2,492,438	2,478,958	2,316,090	162,868	-	-	-	-
Public safety	4,426,949	5,629,446	5,241,785	387,661	-	-	-	-
Economic and physical development	149,295	151,296	132,529	18,767	150	150	-	150
Human services	4,821,800	4,901,042	4,148,505	752,537	-	-	-	-
Cultural and recreational	419,518	452,376	416,620	35,756	-	-	-	-
Special appropriations	1,389,383	1,490,183	1,406,382	83,801	-	-	-	-
Debt service:								
Bond issuance costs	-	45,000	45,000	-	-	-	-	-
Total expenditures	13,699,383	15,148,301	13,706,911	1,441,390	150	150	-	150
Revenues over (under) expenditures	(189,320)	(1,321,218)	337,336	1,658,554	-	-	514,452	514,452

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

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

	General Fund				Economic Development Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OTHER FINANCING SOURCES (USES)								
Transfers out	(10,000)	(10,000)	(10,000)	-	-	-	-	-
Refunding bonds issued	-	2,373,000	2,323,000	(50,000)	-	-	-	-
Payment to refunding bond escrow agent	-	(2,200,000)	(2,200,000)	-	-	-	-	-
Discounts on debt issued	-	(44,000)	(44,000)	-	-	-	-	-
Proceeds from long term debt issue	135,000	1,170,000	272,866	(897,134)	-	-	-	-
Total other financing sources (uses)	<u>125,000</u>	<u>1,289,000</u>	<u>341,866</u>	<u>(947,134)</u>	-	-	-	-
Fund balance appropriated/(additions)	64,320	32,218	-	(32,218)	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	679,202	<u>\$ 679,202</u>	<u>\$ -</u>	<u>\$ -</u>	514,452	<u>\$ 514,452</u>
Fund balance, beginning as previously reported			5,572,548				307,910	
Prior period adjustment			834				-	
Fund balance, beginning as restated			<u>5,573,382</u>				<u>307,910</u>	
Fund balance, ending			<u>\$ 6,252,584</u>				<u>\$ 822,362</u>	
A legally budgeted Tax Revaluation is consolidated into the General Fund for reporting purposes:								
Investment earnings			158					
Transfer in from General Fund			10,000					
Expenditures			(12,784)					
Fund balance, beginning			<u>161,878</u>					
Fund balance, ending (Exhibit 4)			<u>\$ 6,411,836</u>					

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

Graham County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2015

Exhibit 7

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 104,939
LIABILITIES	
Liabilities:	
Miscellaneous liabilities	\$ 102,943
Due to Town of Robbinsville	739
Due to Town of Santeetlah	171
Due to Town of Fontana	13
Intergovernmental payable -State of North Carolina	<u>1,073</u>
Total liabilities	<u>\$ 104,939</u>

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

Graham County, North Carolina

Notes to the Financial Statements

For the Year Ended June 30, 2015

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Graham County, North Carolina

Notes to the Financial Statements

For the Year Ended June 30, 2015

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Graham County, North Carolina

Notes to the Financial Statements

For the Year Ended June 30, 2015

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Discretely Presented Component Units

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

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

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

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

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

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The 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 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 Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County; the 4-H Club Fund, which accounts for the monies deposited for the 4-H activities; and the Deed of Trust Fee Fund, which accounts for (a) five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and is remitted to the State Treasurer on a monthly basis; (b) five dollars of each marriage license fee, which is remitted to the North Carolina Children's Trust Fund and (c) thirty dollars of each license fee, which is remitted to the North Carolina Department of Administration for Domestic Violence Centers.

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

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

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

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

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

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

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

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

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

C. Budgetary Data

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

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

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

Graham County pools moneys from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are 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	\$	6,452
	Register of Deeds AE&P Fund		111,019
	Duke Energy STW/Shareholder FDS		44,589
	Unexpended grant proceeds - transit		39,863
	Sheriff Concealed Permits		25,595
	4H Youth Education		26,066
	Sheriff's Office Trust Account		1,151
	Sheriff NC Drug Tax Account		1,317
	Soil and Water Conservation Grant		148
	Soil and Water Conservation		23,154
	Tax revaluation		160,565
			439,919
Total General Fund Restricted Cash			439,919
EDC Special Revenue Fund	Capital lease revenues		822,362
Emergency Telephone Fund	911 emergency service		324,683
CDBG Scattered Site Fund	Unexpended grant proceeds		108
Rural Center Fund	Unexpended grant proceeds		944
			944
Total Governmental Activities Restricted Cash		\$	1,588,016

Discretely presented component units

Graham County Travel & Tourism Authority			
Governmental Activities			
General Fund	Capital Reserve	\$	19,161
			19,161

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.

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

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

Land and construction in progress are not depreciated.

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

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

Land and construction in progress are not depreciated.

8. Deferred outflows/inflows of resources

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

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

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

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

Fund Balances

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

The governmental fund types classify fund balance as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. Defined Benefit Pension Plans

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

13. Reclassifications

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

14. Estimates

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

15. Major Taxpayer

The County has one major taxpayer with property valued at \$210,610,260.

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 \$6,044,567 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)	\$ 17,521,120
Less accumulated depreciation	<u>(7,031,367)</u>
Net capital assets	10,489,753
Net pension asset	337,296
Contributions to the pension plan in the current fiscal year	397,050
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not current financial resources	40,192
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	8,733
Deferred inflows of resources reported in the fund statements but not the government-wide statements	251,383
Pension related deferrals	(790,832)
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	(4,410,539)
Compensated absences	(262,864)
Accrued interest payable	<u>(15,605)</u>
Total adjustment	<u>\$ 6,044,567</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 \$1,451,589 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,347,369
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	(769,872)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(2,595,866)
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	2,929,734
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	397,050
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	3,149
Amortization of refunding costs not recorded on fund statements	(738)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(32,319)
County's portion of collective pension expense	(18,304)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Change in unavailable revenue for tax revenues	(81,717)
Amount of donated assets	784,600
Capital lease receivable considered unavailable revenue in the fund statements but recorded as revenue in the government-wide statements	(511,497)
Total adjustment	<u>\$ 1,451,589</u>

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None Noted.

2. Contractual Violations

None Noted.

B. Excess of Expenditures over Appropriations

None Noted.

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

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

At June 30, 2015, the County's deposits had a carrying amount of \$7,391,020 and a bank balance of \$7,741,317. Of the bank balance, \$500,000 was covered by federal depository insurance and \$7,241,317 was covered by collateral held under the Pooling Method.

At June 30, 2015, Graham County had \$401 cash on hand.

At June 30, 2015, the carrying amount of deposits for T&T was \$137,752 and the bank balance was \$138,573. All of the bank balance was covered by federal depository insurance.

At June 30, 2015, the carrying amount of deposits for RDA was \$212,090 and the bank balance was \$212,090. All of the bank balance was covered by federal depository insurance.

2. Investments

At June 30, 2015, Graham County had \$5,068 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The County has no policy regarding credit risk.

3. Receivables - Allowance for Doubtful Accounts

Receivables at the government-wide level at June 30, 2015, were as follows:

	Accounts	Taxes Receivable	Accrued Interest Receivable on Taxes	Direct Financing Lease	Total
Governmental Activities:					
General	\$ 20,232	\$ 480,047	\$ 8,733	\$ -	\$ 509,012
Other governmental	16,553	-	-	-	16,553
Total receivables	36,785	480,047	8,733	-	525,565
Allowance for doubtful accounts	7,973	228,664	-	-	236,637
Total governmental activities	\$ 28,812	\$ 251,383	\$ 8,733	\$ -	\$ 288,928

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

Graham County Travel and Tourism Authority's \$26,921 in accounts receivable at June 30, 2015 are deemed to be fully collectible and are presented as unpaid balances.

Due from other governments that is owed to Graham County Travel and Tourism Authority consists of the amount of sales tax to refunded in the amount of \$7,720 at June 30, 2015.

4. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2015, was as follows:

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 981,591	\$ 784,600	\$ -	\$ -	\$ 1,766,191
Total capital assets not being depreciated	981,591	784,600	-	-	1,766,191
Capital assets being depreciated:					
Buildings	6,903,424	1,128,467	-	-	8,031,891
Other improvements	1,125,346	13,575	-	-	1,138,921
Equipment	3,051,351	61,965	-	-	3,113,316
Vehicles	3,327,439	143,362	-	-	3,470,801
Total capital assets being depreciated	14,407,560	1,347,369	-	-	15,754,929
Less accumulated depreciation for:					
Buildings	1,440,146	189,872	-	-	1,630,018
Other improvements	213,355	46,350	-	-	259,705
Equipment	2,001,083	240,068	-	-	2,241,151
Vehicles	2,606,911	293,582	-	-	2,900,493
Total accumulated depreciation	6,261,495	769,872	-	-	7,031,367
Total capital assets being depreciated, net	8,146,065				8,723,562
Governmental activity capital assets, net	\$ 9,127,656				\$ 10,489,753

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

General government	\$ 95,493
Public safety	436,591
Economic and physical development	1,173
Human services	182,069
Cultural and recreational	54,546
Total depreciation expense	\$ 769,872

Construction commitments

There are no active construction projects as of June 30, 2015.

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, 2015, was as follows:

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Capital assets being depreciated:					
Equipment	\$ 14,069	\$ -	\$ 7,269	\$ -	\$ 6,800
Total capital assets being depreciated	14,069	-	7,269	-	6,800
Less accumulated depreciation for:					
Equipment	11,613	1,134	7,269	-	5,478
Total accumulated depreciation	11,613	1,134	7,269	-	5,478
Total capital assets being depreciated, net	\$ 2,456				\$ 1,322

B. Liabilities**1. Payables**

Payables at the government-wide level at June 30, 2015, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 431,201	\$ 161,036	\$ 592,237
Other governmental	11	-	11
Total-governmental activities	<u>\$ 431,212</u>	<u>\$ 161,036</u>	<u>\$ 592,248</u>

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

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$875,000 for the year ended June 30, 2015.

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

a. Local Governmental Employees' Retirement System

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

At June 30, 2015, the County reported an asset of \$322,060 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the County's proportion was .055%, which was a decrease of .002% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$18,713. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 35,190
Net difference between projected and actual earnings on pension plan investments	-	749,750
Changes in proportion and differences between County contributions and proportionate share of contributions	-	5,902
County contributions subsequent to the measurement date	396,494	-
Total	<u>\$ 396,494</u>	<u>\$ 790,842</u>

\$396,494 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (197,736)
2017	(197,736)
2018	(197,736)
2019	(197,634)
2020	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

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

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
County's proportionate share of the net pension liability (asset)	\$ 1,093,212	\$ (322,060)	\$ (1,513,674)

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

b. Law Enforcement Officers' Special Separation Allowance

1. *Plan Description*

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	5
Total	5

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, 2015 were \$17,861, which consisted of \$17,861 from the County and \$0 from the law enforcement officers.

d. Registers of Deeds' Supplemental Pension Fund

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

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$556 for the year ended June 30, 2015.

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

At June 30, 2015, the County reported an asset of \$15,236 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2014, the County's proportion was .0672%, which was a decrease of .0003% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$(409). At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 140	\$ -
Net difference between projected and actual earnings on pension plan investments	-	82
Changes in proportion and differences between County contributions and proportionate share of contributions	-	48
County contributions subsequent to the measurement date	556	-
Total	<u>\$ 696</u>	<u>\$ 130</u>

\$556 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ 21
2017	21
2018	(12)
2019	(20)
2020	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.5%:

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (4.75%)</u>	<u>Discount Rate (5.75%)</u>	<u>1% Increase (6.75%)</u>
County's proportionate share of the net pension liability (asset)	\$ (13,681)	\$ (15,236)	\$ (16,572)

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

e. Other Postemployment Benefit

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

f. Other Employment Benefits

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

The County has 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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Charge on refunding of debt	\$ 40,192	\$ -
Pensions - difference between expected and actual experience		
LGERS	-	35,190
Register of Deeds	140	-
Pensions - difference between projected and actual investment earnings	-	749,832
Pensions - change in proportion and difference between employer contributions	-	5,950
Contributions to pension plan in 2014-15 fiscal year	397,050	-
Prepaid taxes not yet earned (General)	-	85,098
Taxes receivable, net, less penalties	-	251,383
Total deferred inflows of resources	<u>\$ 437,382</u>	<u>\$ 1,127,453</u>

4. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of, assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance for these risks of loss. The County has obtains property coverage equal to the replacement cost of owned property subject to total insured values, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability at \$2 million per occurrence; auto physical damage for owned autos at actual cash value; crime coverage of \$500,000 per occurrence; and worker's compensation up to the statutory limits. The County is also covered up to \$1 million for flood and earthquake damage. All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County.

In accordance with G.S. 159-29, the County's employees that have access to \$100 at any given time of the County's funds bonded through a commercial surety bond. The finance officer, tax collector and register of deeds are individually bonded for \$100,000, \$100,000, and \$25,000, respectively. The deputy finance officer and sheriff are individually bonded for \$25,000 each. Graham County Fire and Rescue has insurance coverage through the Volunteer Firemen's Insurance Services, Inc. The unit carries general liability coverage of \$1 million per occurrence, auto liability coverage of \$1 million per occurrence, real property coverage including earthquake and flood damage of \$1,380,048 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

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

5. Contingent Liabilities

At June 30, 2015, 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, 2015, the County leased vehicles and equipment valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles - Garbage Truck	\$ 130,000	\$ 84,500	\$ 45,500
Equipment - Cisco Phone Lease	80,138	32,437	47,701
Total	<u>\$ 210,138</u>	<u>\$ 116,937</u>	<u>\$ 93,201</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, are as follows:

Year ending June 30,	
2016	55,850
2017	55,849
2018	6,495
Total minimum lease payments	<u>118,194</u>
Less: amount representing interest	<u>7,672</u>
Present value of the minimum lease payments	<u>\$ 110,522</u>

b. Installment Purchases

The County has entered into several installment purchase contracts. Installment purchase contracts outstanding at June 30, 2015, are as follows:

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

858,460

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.

910,000

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.	60,523
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.	73,344
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.	57,824
On July 17, 2014, the County entered into a \$162,947 installment purchase for the purchase of a VDI network computer system. The installment purchase requires three annual payments of \$56,524, including interest at 1.99%. The installment purchase matures on July 17, 2017.	162,947
On October 17, 2014, the County entered into a \$109,919 installment purchase for the purchase of five Dodge Chargers. The installment purchase requires three annual payments of \$38,129, including interest at 1.99%. The installment purchase matures on October 17, 2017.	109,919
	<u>\$ 2,233,017</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
2016	\$ 476,057	\$ 49,620
2017	344,508	36,945
2018	317,173	28,114
2019	224,394	20,066
2020	224,394	13,892
2021-2024	646,491	9,261
Total	<u>\$ 2,233,017</u>	<u>\$ 157,898</u>

c. General Obligation Bonds

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

General obligation bonds:

On September 23, 2014, the County issued \$2,323,000 of general obligation advance refunding bonds. The advance refunding bonds are due in annual installments beginning June 1, 2015, of varying amounts ranging from \$245,000 to \$269,000 through June 1, 2023, including interest at 2.20%. There will also be annual interest only payments beginning December 1, 2014 through December 1, 2022 at 2.20%.	<u>\$ 2,067,000</u>
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Annual debt service requirements for general obligation bonds to maturity are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 245,000	\$ 45,474
2017	251,000	40,084
2018	258,000	34,562
2019	263,000	28,886
2020	269,000	23,100
2021-2024	781,000	34,210
Total	<u>\$ 2,067,000</u>	<u>\$ 206,316</u>

d. Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2015:

	Beginning Balances	Additions	Retirements	Ending Balances	Due Within One Year
General Obligation Bonds	\$ 2,200,000	\$ 2,323,000	\$ 2,456,000	\$ 2,067,000	\$ 245,000
Capital Leases	158,903	-	48,381	110,522	55,850
Installment Purchases	2,385,504	272,866	425,353	2,233,017	476,057
Compensated Absences	230,545	268,974	236,655	262,864	236,000
Net pension liability (LIGERS)	644,880	-	644,880	-	-
Total	\$ 5,619,832	\$ 2,864,840	\$ 3,811,269	\$ 4,673,403	\$ 1,012,907

The LIGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

No interest was capitalized during the year ended June 30, 2015; interest incurred and charged to expense totaled \$169,834.

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, 2015, Graham County had a legal debt margin of \$91,210,525.

Debt Related to Capital Activities - Of the total Governmental Activities debt listed only \$1,485,079 relates to assets the County holds title. There is no unspent restricted cash related to this debt.

C. Prior Period Adjustment

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

General Fund Balance: At July 1, 2014, the Graham County Board of Commissioners incorporated the Soil and Water Conservation District as a department within the General Fund for which there is a sharing of financial benefits and burdens between the entities. The fund balance of \$3,089 was transferred into the General Fund, which increased the Fund Balance in the General Fund by that amount. It was also determined that the sales tax refund payable due to the Emergency Telephone System Fund was understated by \$2,255. The combined adjustments increased fund balance by \$834.

General Fund Balance Previously Reported	\$ 5,572,548
Adjustment for the Soil and Water Conservation District	3,089
Adjustment for understated payable to Emergency Telephone System Fund	(2,255)
General Fund Balance As Restated	<u>\$ 5,573,382</u>

Emergency Telephone System Fund Balance: It was also determined that certain intergovernmental revenues that were subject to accrual had been omitted. Therefore, an adjustment to beginning fund balance has been recorded to account for those accruals, the net effect which increased beginning fund balance by \$18,808. It was also determined that the sales tax refund payable due to the Emergency Telephone System Fund was understated by \$2,255.

Emergency Telephone System Fund Balance Previously	\$ 169,638
Adjustment for understated receivable	18,808
Emergency Telephone System Fund Balance As Restated	<u>\$ 188,446</u>

Governmental Activities: Due to the implementation of Governmental Accounting Standards Board (GASB) Statement 68, as described in Note XI the net position in the governmental activities decreased by \$435,232. The restatement to record the net pension liability and the effects on net position of contributions made by the County and the aforementioned adjustments to fund balance decreased Net Position by \$415,590.

Net Position as previously reported	\$ 11,241,228
Fund Balance restatement	19,642
Adjustment for the implementation of GASB Statement 68	<u>(435,232)</u>
Net Prior Period Adjustment	(415,590)
Net Position as restated	<u>\$ 10,825,638</u>

D. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2015, consist of the following:

Due to the General Fund from:

Emergency Telephone Fund	\$ 10,285
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The interfund balances resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

E. Net Investment in Capital Assets

Capital Assets, net of related debt at June 30, 2015, are computed as follows:

Capital assets, net of accumulated depreciation	\$ 10,489,753
Less capital debt:	
Gross debt (excluding compensated absences)	4,410,539
Less:	
School debt related to assets to which the County does not hold title	<u>2,925,460</u>
Net capital debt	<u>1,485,079</u>
Capital assets, net of related debt	<u>\$ 9,004,674</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	\$ 6,411,836
Less:	
Prepaid items	286,569
Stabilization by State Statute	659,149
Appropriated Fund Balance in 2016 budget	145,075
Register of Deeds	111,019
Human Services	39,863
Law Enforcement	26,746
Courts	6,452
Tax Revaluation	160,565
Remaining Fund Balance	\$ 4,976,398

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, 2015, 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, 2015. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$64,500 to the Library to supplement its activities. Complete financial statements for the Library may be obtained from the Library's offices at 101-A Blumenthal Street, Murphy, NC 28906.

V. Jointly Governed Organizations

The County, in conjunction with seven other counties and fifteen municipalities, established the Southwestern N.C. Planning and Economic Development Commission (Commission). The participating governments established the Commission to coordinate funding received from various federal and State agencies. Each participating government appoints one member to the Commission's forty-four member governing board. The County paid membership fees of \$6,181 to the Commission during the fiscal year ended June 30, 2015.

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, 2015.

VI. Partnering Agreement

The Graham County Rural Development Authority (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 be made at the time that the house constructed by the Robbinsville High School vocational department was sold to a third party. In addition, the parties agreed that the Authority would advance to Graham County Board of Education a total of \$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 would 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 would be shared equally by the Authority and the Board of Education.

On July 15, 2014, the home was sold to a third party. Upon sale of the home, as agreed, \$15,000 for the lot sale and \$80,000 for construction material advancements were reimbursed to the Authority. Net proceeds from the sale amounted to \$32,430 which, as agreed, was equally divided between the Authority and the Board of Education. The Authority profited \$16,216 from the third party sale.

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	\$ 89,676	\$ -
Medicaid	10,756,148	5,733,790
Food Stamp Program	2,280,715	-
WIC	192,173	-
SC/SA Domiciliary Care	-	70,508
Low Income Energy Assistance	56,080	-
IV-E Foster Care Assistance	94,825	22,074
IV-E Adopt Subsidy and Vendor	35,313	126,527
State Foster Care	-	8,598
	<u>\$ 13,504,930</u>	<u>\$ 5,961,497</u>

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

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

IX. Significant Effects of Subsequent Events

The County has evaluated subsequent events through October 23, 2015, which is the date the financial statements were available to be issued.

- A. Subsequent to year end, Graham County entered into a grant agreement with the North Carolina 911 Board for approximately \$3,400,000. The purpose of this grant is for the construction of a new facility on property owned by Graham County which will house sufficient 911 system equipment and telecommunicators together with other necessary personnel for Graham County.
- B. In September 2015, Graham County received a loan from the United States Department of Agriculture for \$475,000 at 3.625% interest. The purpose of this loan was to replace the fund balance reserve that was somewhat depleted by the purchase of the transfer station in the current fiscal year. Repayment will consist of 30 annual payments of \$25,065, with the first payment due September 17, 2016.

X. Special Item

During the year ended June 30, 2015, the County received donated property from Stanley Furniture Company. This item is reflected on the government-wide statements as a special item because it is unusual in nature but under the control of management. An inspection of the property and a study of pertinent factors, including valuation trends and an analysis of neighborhood data, led the appraiser to the conclusion that the market value, as of January 8, 2015 was \$784,600.

XI. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions* (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of the statement required the County to record beginning net pension liability and the effects on net position of contributions made by the County during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental activities decreased by \$435,232.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

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

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

	2015	2014
County's proportion of the net pension liability (asset) %	0.055%	0.053%
County's proportionate share of the net pension liability (asset) \$	\$ (322,060)	\$ 644,880
County's covered-employee payroll	\$ 4,029,660	\$ 4,162,029
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(7.99%)	15.49%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

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

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

Graham County, North Carolina
Schedule of Contributions to Local Government Employees' Retirement System
Required Supplementary Information
Last 2 Fiscal Years

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 396,494	\$ 418,574
Contributions in relation to the contractually required contribution	<u>396,494</u>	<u>418,574</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 County's covered-employee payroll	 \$ 3,807,630	 \$ 4,029,660
 Contributions as a percentage of covered-employee payroll	 10.41%	 10.39%

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

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

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

Graham County, North Carolina
Schedule of Contributions to Registers of Deeds' Supplemental Pension Fund
Registers of Deeds' Supplemental Pension Fund
Required Supplementary Information
Last 2 Fiscal Years

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

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 Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Current year taxes		\$ 5,327,445	
Prior year taxes		226,846	
Penalties and interest		70,733	
Total	<u>\$ 5,502,180</u>	<u>5,625,024</u>	<u>\$ 122,844</u>
Local option sales taxes:			
Local option sales tax		1,412,531	
Medicaid hold harmless		178,945	
Total	<u>1,546,400</u>	<u>1,591,476</u>	<u>45,076</u>
Other taxes and licenses:			
Register of deeds - excise tax		46,286	
Local occupancy tax		312,706	
Total	<u>330,000</u>	<u>358,992</u>	<u>28,992</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes		1,018,746	
Cable franchise fees		4,354	
Total	<u>884,500</u>	<u>1,023,100</u>	<u>138,600</u>
Restricted intergovernmental:			
State grants		2,529,873	
Federal grants		780,598	
Local grants		30,894	
Court facility fees		456	
Scrap tire disposal fee		10,880	
White goods disposal fee		2,847	
Total	<u>3,818,741</u>	<u>3,355,548</u>	<u>(463,193)</u>
Other restricted revenues:			
Private grants & contributions		22,888	
Total	<u>20,500</u>	<u>22,888</u>	<u>2,388</u>
Permits and fees:			
Building permits		47,871	
Register of deeds		67,976	
Health department well permits		8,850	
Total	<u>100,000</u>	<u>124,697</u>	<u>24,697</u>

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES (continued)			
Sales and services:			
Rents, concessions, and fees		975,546	
Jail fees		12,444	
Ambulance fees		755,302	
Home health		30,654	
Tipping fees		68,524	
Recycling revenue		4,550	
Sheriff fees		30,799	
Total	<u>1,609,730</u>	<u>1,877,819</u>	<u>268,089</u>
Investment earnings:	<u>5,500</u>	<u>6,419</u>	<u>919</u>
Miscellaneous:			
Miscellaneous	<u>9,532</u>	<u>58,284</u>	<u>48,752</u>
Total revenues	<u>13,827,083</u>	<u>14,044,247</u>	<u>217,164</u>
EXPENDITURES			
General government:			
Governing body:			
Salaries and employee benefits		123,637	
Operating expenditures		101,149	
Contracted services		54,864	
Miscellaneous contributions		6,181	
Contingency fund		2,534	
Debt service:			
Principal retirement		23,724	
Interest and other charges		4,264	
Total	<u>347,303</u>	<u>316,353</u>	<u>30,950</u>
Administration:			
Salaries and employee benefits		71,583	
Operating expenditures		106,753	
Insurance - general		313,273	
Contracted services		5,481	
Total	<u>498,951</u>	<u>497,090</u>	<u>1,861</u>
Board of elections:			
Salaries and employee benefits		82,111	
Operating expenditures		25,157	
Total	<u>133,491</u>	<u>107,268</u>	<u>26,223</u>

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (continued)			
General government (continued):			
Finance:			
Salaries and employee benefits		178,327	
Operating expenditures		10,263	
Contracted services		51,980	
Total	<u>249,395</u>	<u>240,570</u>	<u>8,825</u>
Tax assessor:			
Salaries and employee benefits		88,981	
Operating expenditures		3,361	
Contracted services		24,511	
Total	<u>122,004</u>	<u>116,853</u>	<u>5,151</u>
Tax collector:			
Salaries and employee benefits		48,394	
Operating expenditures		18,093	
Total	<u>72,608</u>	<u>66,487</u>	<u>6,121</u>
Tax mapping:			
Salaries and employee benefits		64,517	
Operating expenditures		4,644	
Contracted services		20,336	
Total	<u>126,457</u>	<u>89,497</u>	<u>36,960</u>
Register of deeds:			
Salaries and employee benefits		84,560	
Operating expenditures		54,620	
Contracted services		38,597	
Total	<u>198,915</u>	<u>177,777</u>	<u>21,138</u>
Public buildings:			
Salaries and employee benefits		130,276	
Operating expenditures		117,752	
Capital outlay		99,494	
Contracted services		14,878	
Total	<u>366,024</u>	<u>362,400</u>	<u>3,624</u>
Vehicle maintenance:			
Salaries and employee benefits		35,151	
Operating expenditures		6,671	
Contracted services		35	
Total	<u>45,232</u>	<u>41,857</u>	<u>3,375</u>

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General government (continued):			
Computer support:			
Salaries and employee benefits		67,383	
Operating expenditures		7,927	
Capital outlay		21,600	
Contracted services		37,532	
Total	<u>139,526</u>	<u>134,442</u>	<u>5,084</u>
Cemetery:			
Salaries and employee benefits		137,483	
Operating expenditures		23,913	
Capital outlay		4,100	
Total	<u>179,052</u>	<u>165,496</u>	<u>13,556</u>
Total general government	<u>2,478,958</u>	<u>2,316,090</u>	<u>162,868</u>
Public safety:			
Sheriff department:			
Salaries and employee benefits		789,620	
Operating expenditures		183,101	
Contracted services		740,853	
Capital outlay		14,691	
Debt service:			
Principal retirement		35,739	
Interest and other charges		1,890	
Total	<u>1,832,790</u>	<u>1,765,894</u>	<u>66,896</u>
Jail:			
Salaries and employee benefits		414,325	
Operating expenditures		171,249	
Contracted services		137,147	
Total	<u>766,925</u>	<u>722,721</u>	<u>44,204</u>
Ambulance service:			
Salaries and employee benefits		701,294	
Operating expenditures		123,528	
Debt service:			
Principal retirement		121,945	
Interest and other charges		8,468	
Total	<u>1,062,022</u>	<u>955,235</u>	<u>106,787</u>

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety (continued):			
District court:			
Operating expenditures		5,818	
Contracted services		908	
Total	<u>10,510</u>	<u>6,726</u>	<u>3,784</u>
Civil preparedness:			
Salaries and employee benefits		87,367	
Operating expenditures		7,976	
Debt service:			
Principal retirement		46,667	
Interest and other charges		14,921	
Total	<u>159,864</u>	<u>156,931</u>	<u>2,933</u>
Communications:			
Salaries and employee benefits		297,028	
Operating expenditures		4,311	
Contracted services		2,733	
Total	<u>309,494</u>	<u>304,072</u>	<u>5,422</u>
Sanitary landfill:			
Salaries and employee benefits		237,202	
Operating expenditures		197,792	
Capital outlay		454,519	
Tipping fees		151,574	
Debt service:			
Principal retirement		51,619	
Interest and other charges		4,028	
Total	<u>1,176,745</u>	<u>1,096,734</u>	<u>80,011</u>
EMS billing:			
Contracted services		23,311	
Total	<u>30,100</u>	<u>23,311</u>	<u>6,789</u>
EBCI fuel (reimbursed expense)	<u>36,000</u>	<u>19,968</u>	<u>16,032</u>
USFS timber receipts or fire	<u>44,000</u>	<u>-</u>	<u>44,000</u>
Contribution to NC Forest Service	<u>61,746</u>	<u>51,802</u>	<u>9,944</u>
Contributions to rescue and fire	<u>139,250</u>	<u>138,391</u>	<u>859</u>
Total public safety	<u>5,629,446</u>	<u>5,241,785</u>	<u>387,661</u>

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Economic development:			
County planner:			
Salaries and employee benefits		42,644	
Operating expenditures		1,409	
Total	<u>54,864</u>	<u>44,053</u>	<u>10,811</u>
Building inspector:			
Salaries and employee benefits		79,398	
Operating expenditures		9,078	
Total	<u>96,432</u>	<u>88,476</u>	<u>7,956</u>
Total economic development	<u>151,296</u>	<u>132,529</u>	<u>18,767</u>
Human services:			
Health department:			
Administration:			
Communicable diseases:			
Salaries and employee benefits		17,414	
Operating expenditures		1,960	
Total		<u>19,374</u>	
Health promotion:			
Child health:			
Salaries and employee benefits		65,169	
Operating expenditures		3,190	
Total		<u>68,359</u>	
Tuberculosis:			
Maternal health:			
Salaries and employee benefits		27,725	
Operating expenditures		300	
Total		<u>28,025</u>	
Mountain Top health care clinic:			
Salaries and employee benefits		10,364	
Operating expenses		4,853	
Contracted services		2,605	
Total		<u>17,822</u>	
Home health:			
TB:			
Salaries and employee benefits		2,849	
Operating expenditures		310	
Total		<u>3,159</u>	

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Human services (continued):			
Health department (continued):			
Family planning:			
Salaries and employee benefits		70,063	
Operating expenditures		10,456	
Total		<u>80,519</u>	
Maternal and child health:			
Salaries and employee benefits		32,275	
Operating expenditures		7,181	
Total		<u>39,456</u>	
Women, infants, and children:			
Environmental health:			
Salaries and employee benefits		65,167	
Operating expenditures		7,034	
Total		<u>72,201</u>	
Migrant health:			
HIV/STD:			
Salaries and employee benefits		2,632	
Total		<u>2,632</u>	
BCCP:			
Salaries and employee benefits		17,101	
Operating expenses		8,574	
Total		<u>25,675</u>	
Dental:			
Salaries and employee benefits		279,136	
Operating expenses		45,931	
Total		<u>325,067</u>	
Child service coordination:			
Salaries and employee benefits		21,095	
Total		<u>21,095</u>	
General:			
Salaries and employee benefits		19,064	
Operating expenses		33,082	
Contracted services		23,450	
Capital outlay		9,760	
Debt service:			
Principal retirement		93,333	
Interest and other charges		29,841	
Total		<u>208,530</u>	

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Human services (continued):			
Health department (continued):			
IAP5.278:			
Salaries and employee benefits		6,478	
Operating expenses		3,441	
Total		<u>9,919</u>	
Smart Start:			
Salaries and employee benefits		19,721	
Total		<u>19,721</u>	
WIC:			
Salaries and employee benefits		81,242	
Total		<u>81,242</u>	
Health department food and lodging:			
Salaries and employee benefits		5,169	
Operating expenses		1,355	
Total		<u>6,524</u>	
Adult health:			
Salaries and employee benefits		70,038	
Operating expenses		78,380	
Total		<u>148,418</u>	
Kate B. Reynolds Grant School Nurse Project:			
Salaries and employee benefits		101,874	
Operating expenses		14,383	
Medical director fees		3,000	
Total		<u>119,257</u>	
Healthy Carolinians			
Salaries and employee benefits		9	
Total		<u>9</u>	
Bioterrorism Grant:			
Salaries and employee benefits		31,627	
Operating expenses		3,175	
Total		<u>34,802</u>	
CAP:			
Salaries and employee benefits		100,313	
Operating expenses		50,731	
Contracted services		6,942	
Total		<u>157,986</u>	
Total Health Department	<u>1,660,086</u>	<u>1,489,792</u>	<u>170,294</u>

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Human services (continued):			
Veterans Service Officer:			
Salaries and employee benefits	4,000	-	4,000
Social services:			
Administration:			
Salaries and employee benefits		813,169	
Operating expenses		289,573	
Debt service:			
Principal retirement		16,314	
Interest and other charges		693	
Total	1,342,610	1,119,749	222,861
Social service public assistance:			
Medical assistance		348	
Work first		503,863	
Foster care		3,621	
Special assistance		75,664	
Crisis intervention		84,127	
Foster care - clothing		211,299	
Total	1,143,139	878,922	264,217
Total social services	2,485,749	1,998,671	487,078
Senior citizens program:			
Administration:			
Salaries and employee benefits		127,721	
Operating expenses		93,641	
Contracted services		11,013	
Total senior citizens program	247,293	232,375	14,918
Transit:			
DOT transportation development grant			
Grant administrative expenditures:			
Salaries and employee benefits		100,406	
Operating expenditures		21,865	
Grant operating expenditures:			
Salaries and employee benefits		254,037	
Operating expenditures		51,359	
Total transit	503,914	427,667	76,247
Total human services	4,901,042	4,148,505	752,537

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and recreational:			
4-H:			
Operating expenditures		11,959	
Total	20,000	11,959	8,041
Extension:			
Salaries and employee benefits		56,819	
Operating expenditures		7,064	
Total	82,113	63,883	18,230
Soil and water:			
Salaries and employee benefits		57,940	
Operating expenditures		8,152	
Capital outlay		9,050	
Total	75,813	75,142	671
Recreation:			
Salaries and employee benefits		90,615	
Operating expenditures		61,077	
Capital outlay		7,994	
Contracted services		10,209	
Total	175,335	169,895	5,440
Swimming pool:			
Salaries and employee benefits		19,084	
Operating expenditures		11,302	
Contracted services		855	
Total	34,615	31,241	3,374
Contributions to regional library	64,500	64,500	-
Total cultural and recreation	452,376	416,620	35,756
Special appropriations:			
Education:			
Public schools - current	570,000	570,000	-
Public schools - capital outlay	37,500	21,000	16,500
Public schools - SRS USFS Timber	179,800	179,758	42
Debt service:			
School Bond - capital outlay	303,000	256,000	47,000
School Bond - capital outlay - interest	84,000	64,140	19,860
QZAB debt - capital outlay	84,394	84,394	-
Total education	1,258,694	1,175,292	83,402

Graham County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Special appropriations (continued):			
Contributions:			
Tri-County Community College	111,400	111,400	-
JCPC	59,997	59,990	7
Regional mental health	6,000	6,000	-
State of Franklin	4,000	4,000	-
Other special appropriations	50,092	49,700	392
Total special appropriations	<u>1,490,183</u>	<u>1,406,382</u>	<u>83,801</u>
Debt service:			
Bond issuance costs		45,000	
Total Debt service	<u>45,000</u>	<u>45,000</u>	<u>-</u>
Total expenditures	<u>15,148,301</u>	<u>13,706,911</u>	<u>1,441,390</u>
Revenues over expenditures	<u>(1,321,218)</u>	<u>337,336</u>	<u>1,658,554</u>
OTHER FINANCING SOURCES (USES)			
Transfers to other funds:			
Revaluation Fund	(10,000)	(10,000)	-
Total net transfers	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Refunding bonds issued	2,373,000	2,323,000	(50,000)
Payment to refunding bond escrow agent	(2,200,000)	(2,200,000)	-
Discounts on debt issued	(44,000)	(44,000)	-
Proceeds from long term debt issued	1,170,000	272,866	(897,134)
Total other financing sources (uses)	<u>1,289,000</u>	<u>341,866</u>	<u>(947,134)</u>
Appropriated fund balance	32,218	-	32,218
Net change in fund balance	<u>\$ -</u>	<u>679,202</u>	<u>\$ 679,202</u>
Fund balance, beginning as previously reported		5,572,548	
Prior period adjustment		834	
Fund balance, beginning		<u>5,573,382</u>	
Fund balance, ending		<u>\$ 6,252,584</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Investment earnings	\$ -	\$ 158	\$ 158
EXPENDITURES			
General government:			
Contracted services		12,784	
Total expenditures	16,500	12,784	3,716
Revenues over (under) expenditures	(16,500)	(12,626)	3,874
OTHER FINANCING SOURCES (USES)			
Transfer in:			
General fund	10,000	10,000	-
Increase in fund balance for subsequent expenditures	6,500	-	(6,500)
Net change in fund balance	<u>\$ -</u>	<u>(2,626)</u>	<u>\$ (2,626)</u>
Fund balance, beginning		161,878	
Fund balance, ending		<u>\$ 159,252</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Other restricted revenues		\$ 511,497	
Investment earnings		2,955	
Total revenues	<u>\$ 150</u>	<u>514,452</u>	<u>\$ 514,302</u>
EXPENDITURES			
Economic and physical development	<u>150</u>	<u>-</u>	<u>150</u>
Total expenditures	<u>150</u>	<u>-</u>	<u>150</u>
Revenues over (under) expenditures	<u>-</u>	<u>514,452</u>	<u>514,452</u>
Net change in fund balance	<u>\$ -</u>	<u>514,452</u>	<u>\$ 514,452</u>
Fund balance, beginning		<u>307,910</u>	
Fund balance, ending		<u>\$ 822,362</u>	

COMBINING STATEMENTS FOR NON-MAJOR GOVERNMENTAL FUNDS

The County has three non-major governmental funds.

Special Revenue Funds:

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

Graham County, North Carolina

Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2015

	Special Revenue Funds				
	Emergency Telephone Special Revenue Fund	Low-income Housing Repair or Rehabilitation Grant Project Fund	ARC Rural Center Stanley Furniture	Total Non-Major Special Revenue Funds	Total Non-Major Governmental Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash	324,683	108	944	325,735	325,735
Accounts receivable, net	16,553	-	-	16,553	16,553
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 341,236	\$ 108	\$ 944	\$ 342,288	\$ 342,288
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 11	\$ -	\$ -	\$ 11	\$ 11
Due to other funds	10,285	-	-	10,285	10,285
Total liabilities	10,296	-	-	10,296	10,296
Fund balances:					
Restricted:					
Stabilization by state statute	16,553	-	-	16,553	16,553
Economic and physical development	-	108	944	1,052	1,052
Human services	-	-	-	-	-
Public safety	314,387	-	-	314,387	314,387
Unassigned	-	-	-	-	-
Total fund balances	330,940	108	944	331,992	331,992
Total liabilities, deferred inflows of resources, and fund balances	\$ 341,236	\$ 108	\$ 944	\$ 342,288	\$ 342,288

Graham County, North Carolina

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

Non-major Governmental Funds

For the Year Ended June 30, 2015

	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 Governmental Funds
REVENUES				
Restricted intergovernmental revenues	\$ 198,633	\$ 66,775	\$ -	\$ 265,408
Investment earnings	183	6	2	191
Total revenues	<u>198,816</u>	<u>66,781</u>	<u>2</u>	<u>265,599</u>
EXPENDITURES				
Current:				
Public safety	56,322	-	-	56,322
Economic and physical development	-	66,775	-	66,775
Human services	-	-	-	-
Total expenditures	<u>56,322</u>	<u>66,775</u>	<u>-</u>	<u>123,097</u>
Excess (deficiency) of revenues over expenditures	<u>142,494</u>	<u>6</u>	<u>2</u>	<u>142,502</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	142,494	6	2	142,502
Fund balances, beginning as previously reported	169,638	102	942	170,682
Prior period adjustment	18,808	-	-	18,808
Fund balances, beginning as restated	<u>188,446</u>	<u>102</u>	<u>942</u>	<u>189,490</u>
Fund balances, ending	<u>\$ 330,940</u>	<u>\$ 108</u>	<u>\$ 944</u>	<u>\$ 331,992</u>

Graham County, North Carolina

Emergency Telephone System Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Restricted intergovernmental		\$ 198,633	
Investment earnings		183	
Total revenues	<u>\$ 198,633</u>	<u>198,816</u>	<u>\$ 183</u>
EXPENDITURES			
Public safety	<u>198,633</u>	<u>56,322</u>	<u>142,311</u>
Total expenditures	<u>198,633</u>	<u>56,322</u>	<u>142,311</u>
Revenues over (under) expenditures	<u>-</u>	<u>142,494</u>	<u>142,494</u>
Appropriated fund balance	10,000	-	(10,000)
Net change in fund balance	<u>\$ -</u>	<u>142,494</u>	<u>\$ 142,494</u>
Fund balance, beginning as previously reported		169,638	
Prior period adjustment		<u>18,808</u>	
Fund balance, beginning		<u>188,446</u>	
Fund balance, ending		<u>\$ 330,940</u>	

Graham County, North Carolina

Low-income Housing Repair or Rehabilitation Grant Project Fund

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

From Inception and for the Year Ended June 30, 2015

	<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	\$ 39,594	\$ 225,000	\$ -
USDA Housing Preservation Grant	76,955	3,996	27,181	31,177	(45,778)
Total	301,955	189,402	66,775	256,177	(45,778)
Investment earnings	-	39	6	45	45
Total revenues	301,955	189,441	66,781	256,222	(45,733)
EXPENDITURES					
Economic and physical development:					
CDBG Scattered Site Housing Grant:					
Rehabilitation	197,500	165,406	32,094	197,500	-
Administration	22,500	20,000	2,500	22,500	-
Emergency repair	5,000	-	5,000	5,000	-
USDA Housing Preservation Grant					
Administration	10,773	3,750	6,512	10,262	511
Rehabilitation	66,182	246	20,669	20,915	45,267
Total expenditures	301,955	189,402	66,775	256,177	45,778
Revenues over (under) expenditures	-	39	6	45	45
Net change in fund balance	\$ -	\$ 39	6	\$ 45	\$ 45
Fund balance, beginning			102		
Fund balance, ending			\$ 108		

Graham County, North Carolina

ARC Rural Center - Stanley Furniture Building Reuse Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
REVENUES					
Restricted intergovernmental:					
Rural Economic Development Center Grant	\$ 191,928	\$ 191,928	\$ -	\$ 191,928	\$ -
Investment earnings	-	36	2	38	38
Total revenues	<u>191,928</u>	<u>191,964</u>	<u>2</u>	<u>191,966</u>	<u>38</u>
EXPENDITURES					
Economic development					
Pass through grant to Stanley Furniture	191,928	191,928	-	191,928	-
Total expenditures	<u>191,928</u>	<u>191,928</u>	<u>-</u>	<u>191,928</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>36</u>	<u>2</u>	<u>38</u>	<u>38</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 36</u>	<u>\$ 2</u>	<u>\$ 38</u>	<u>\$ 38</u>
Fund balance, beginning			<u>942</u>		
Fund balance, ending			<u>\$ 944</u>		

AGENCY FUNDS

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

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

Graham County, North Carolina

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2015

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Social Services</u>				
Assets:				
Cash and cash equivalents	\$ 33,917	\$ 228,443	\$ 161,054	\$ 101,306
Liabilities:				
Miscellaneous liabilities	\$ 33,917	\$ 228,443	\$ 161,054	\$ 101,306
<u>Motor Vehicle Tax Fund</u>				
Assets:				
Cash and cash equivalents	\$ 716	\$ 13,327	\$ 13,120	\$ 923
Liabilities:				
Due to Town of Robbinsville	\$ 617	\$ 10,049	\$ 9,927	\$ 739
Due to Town of Santeetlah	35	793	657	171
Due to Town of Fontana	64	403	454	13
	\$ 716	\$ 11,245	\$ 11,038	\$ 923
<u>4-H Club</u>				
Assets:				
Cash and cash equivalents	\$ 1,574	\$ 4,151	\$ 4,088	\$ 1,637
Liabilities:				
Miscellaneous liabilities	\$ 1,574	\$ 4,151	\$ 4,088	\$ 1,637
<u>Deed of Trust Fee Fund</u>				
Assets:				
Cash and cash equivalents	\$ 1,040	\$ 9,403	\$ 9,370	\$ 1,073
Liabilities:				
Intergovernmental payable - State of North Carolina	\$ 1,040	\$ 9,403	\$ 9,370	\$ 1,073
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 37,247	\$ 255,324	\$ 187,632	\$ 104,939
Liabilities:				
Miscellaneous liabilities	\$ 35,491	\$ 232,594	\$ 165,142	\$ 102,943
Due to Town of Robbinsville	617	10,049	9,927	739
Due to Town of Santeetlah	35	793	657	171
Due to Town of Fontana	64	403	454	13
Intergovernmental payable - State of North Carolina	1,040	9,403	9,370	1,073
Total liabilities	\$ 37,247	\$ 253,242	\$ 185,550	\$ 104,939

OTHER SCHEDULES

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

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

Graham County, North Carolina

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2015

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections And Credits	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 5,498,211	\$ 5,317,733	\$ 180,478
2013-2014	261,408	-	150,192	111,216
2012-2013	84,873	-	39,804	45,069
2011-2012	50,309	-	21,265	29,044
2010-2011	38,722	-	12,911	25,811
2009-2010	28,308	-	8,547	19,761
2008-2009	24,787	-	5,870	18,917
2007-2008	20,624	-	3,245	17,379
2006-2007	17,269	-	1,741	15,528
2005-2006	17,956	-	1,112	16,844
2004-2005	15,469	-	15,469	-
	<u>\$ 559,725</u>	<u>\$ 5,498,211</u>	<u>\$ 5,577,889</u>	480,047
Less: allowance for uncollectible accounts:				
General fund				228,664
Ad valorem taxes receivable - net:				
General fund				<u>\$ 251,383</u>
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General fund				
Taxes collected				\$ 5,554,291
Penalties and interest				70,733
				5,625,024
Reconciling items:				
Garnishment fees				(5,150)
Taxes written off				13,874
Less: interest collected				(55,789)
Other adjustments				(70)
Total reconciling items				<u>(47,135)</u>
Total collections and credits				<u>\$ 5,577,889</u>

Graham County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2015

	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	\$ 1,196,904,348	0.46	\$ 5,505,760	\$ 5,466,704	\$ 39,056
Motor vehicles taxed at prior year's rate	-	0.46	-		
Penalties	-		7,190	7,190	
Total	1,196,904,348		5,512,950	5,473,894	39,056
Discoveries:					
Current year taxes	3,059,348	0.46	14,073	14,073	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Total	3,059,348		14,073	14,073	-
Abatements	(6,263,478)		(28,812)	(23,820)	(4,992)
Total property valuation	\$ 1,193,700,218				
Net levy			5,498,211	5,464,147	34,064
Uncollected taxes at June 30, 2015			180,477	178,738	1,739
Current year's taxes collected			\$ 5,317,734	\$ 5,285,409	\$ 32,325
Current levy collection percentage			96.72%	96.73%	94.89%

Secondary Market Disclosures:

Assessed valuation:				
Assessment ratio ¹				1.0003
Real property				\$ 1,116,102,850
Personal property				48,234,408
Public service companies ²				30,926,003
Total assessed valuation				\$ 1,195,263,261
Tax rate per \$100				0.46
Levy (includes discoveries, releases and abatements) ³				\$ 5,498,211

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, 2015

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Brookfield Smoky Mountain	Commercial	\$ 210,610,260	17.62%
Duke Energy	Utility	28,575,799	2.39%
Cody Family and Heirs	Residential	4,701,612	0.39%
Graham County Land Company	Commercial	4,575,000	0.38%
Frontier	Utility	2,357,132	0.20%
State Employees Credit Union	Commercial	2,089,320	0.17%
Snowbird Mountain Lodge	Commercial	1,958,270	0.16%
Lake Point Investments	Residential	1,412,820	0.12%
Tapoco Partners LLC	Commercial	1,769,580	0.15%
Timothy L Campbell	Residential	1,642,150	0.14%
		<hr/>	
Total		<u>\$ 259,691,943</u>	<u>21.73%</u>

Graham County, North Carolina
Emergency Telephone System Unspent Balance

PSAP Reconciliation

June 30, 2015

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	\$ 142,494
Beginning Balance, PSAP Revenue - Expenditure Report	<u>188,446</u>
Ending Balance, PSAP Revenue - Expenditure Report	<u><u>\$ 330,940</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 County Commissioners
Graham County, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Graham County, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises Graham County's basic financial statements, and have issued our report thereon dated October 23, 2015.

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
October 23, 2015

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, 2015. 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 2015-001, 2015-002, and 2015-003 for Crosscutting and 2015-004 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, 2015.

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, 2015.

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 2015-001 through 2015-004. 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 2015-001 through 2015-004 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 2015-001 through 2015-004 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

October 23, 2015

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, 2015. 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 2015-001, 2015-003, and 2015-004 for Crosscutting and 2015-02 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, 2015.

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, 2015.

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 2015-001 through 2015-004. 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 2015-001 through 2015-004 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 2015-001 through 2015-004 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

October 23, 2015

Graham County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

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
--------	---

The threshold for determining Type A and Type B programs \$ 384,241

Auditee qualified as low-risk auditee _____ yes _____ X 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, 2015

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 2015-001

MATERIAL WEAKNESS

MATERIAL NONCOMPLIANCE

Crosscutting Requirements - Reporting

Criteria: OMB Circular A-87, Attachment B, 11.h requires that for employees working on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity (PAR) or equivalent documentation. The primary purpose of these day sheets is to compute percentages of time spent by staff in the delivery of direct service activities, which will provide the basis for County reimbursement.

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.

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: It appears that the agency has converted to an automated system of preparing the personnel activity report/day sheets. We recommend continued training in this area, especially with new hires, and stress the importance of accuracy of these reports as part of the agency's internal policies.

Views of responsible officials and planned corrective actions: The Board agrees with this finding. Please refer to the corrective action plan on pages 94.

Graham County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

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 2015-002

MATERIAL WEAKNESS

MATERIAL NONCOMPLIANCE

Crosscutting Requirements - Reporting

Criteria: Workers must certify the completeness and accuracy of all entries on each day sheet. The day sheets are then turned over to the supervisors. Should the supervisors detect any errors, they must return the day sheet to the worker for correction. Supervisors should not instruct workers to use or avoid using any codes in order to affect the outcome of the time report data. The supervisor approves the final day sheet for submission.

Condition: Workers must certify the completeness and accuracy of all entries on each day sheet and only they can make corrections. We found that supervisors, instead of workers, were performing the certification function.

Questioned Costs: Unable to determine.

Effect: Supervisors may change original data submitted by the worker without the worker's knowledge. This may affect the outcome of the time report data.

Cause: The department was following protocol for preparing the automated day sheets as prescribed by the software service provider, Information, Inc.

Recommendation: We recommend that the Board implement procedures to ensure compliance with NC DHHS directive that all day sheet corrections be made only by the workers and not the supervisors.

Views of responsible officials and planned corrective actions: The Board agrees with this finding. Please refer to the corrective action plan on page 94.

Graham County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

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 2015-003

MATERIAL WEAKNESS

MATERIAL NONCOMPLIANCE

Crosscutting Requirements - Reporting

Criteria: All employees are to be paid according to the approved County Pay Plan.

Condition: Positions of Social Worker Supervisor I and Administrative Assistant III were not included in the County Pay Plan when it was submitted to the State. An additional position that is included on the County's Pay Plan had been underpaid for part of the year.

Questioned Costs: Unable to determine.

Effect: Employees may not be paid correctly.

Cause: The County's Pay Plan was incomplete and inaccurate.

Recommendation: We recommend that the County update the Pay Plan to include all positions.

Views of responsible officials and planned corrective actions: The Board agrees with this finding. Please refer to the corrective action plan on page 94.

Graham County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

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 2015-004

MATERIAL WEAKNESS

MATERIAL NONCOMPLIANCE

Eligibility

Criteria: The case record should contain two acceptable verifications of State Residence as determined by the county or the applicant's declaration that he is unable to obtain two sources of verification. This requirement is for applications only and does not have to be verified again at redetermination. This requirement also does not apply to institutionalized individuals.

If the individual stated that he had health insurance, the information regarding the policy (Company name, policy holder, individuals covered, policy numbers and group/numbers and coverage begin dates) should be documented in the case record. Health insurance information is entered in EIS via form DMA-2041, Third Party Health and Accident Resources Information. If the case had health insurance and was approved for North Carolina Health Choice, the record should contain verification that health insurance was terminated prior to approval of benefits, or, that the policy does not provide comprehensive coverage or does not provide coverage in the area in which the recipient lives.

Medicaid for the Aged, Blind and Disabled case records should contain documentation that tax records and Register of Deeds were checked to verify if the individual owns property. There could be a change in benefits issued.

Condition: It appears that in two cases, the case record does not contain two acceptable verifications of State Residence. It appears that the cases files of four individuals having health insurance did not have the necessary information regarding the policy (i.e. company name, policy holder, individuals covered, policy numbers and group/numbers and coverage begin dates) documented in the case record and/or accurately entered into the eligibility system. It appears that in four instances case records did not include documentation that tax records and Register of Deeds were checked to verify if the individual owns real property prior to submission for Medicaid assistance.

Questioned Costs: Unable to determine.

Effect: Verification of citizenship, insurance coverage, and the ownership of real property could possibly deem the applicant as ineligible for Medicaid assistance. Therefore if the real property ownership is not verified applicants could receive benefits for which they are not entitled.

Cause: There is a lack of sufficient training of Income Maintenance workers in the Medicaid application intake process.

Recommendation: We recommend that the Board provide more extensive training in the application intake process.

Views of responsible officials and planned corrective actions: The Board agrees with this finding. Please refer to the corrective action plan on page 94.

Section IV – State Award Findings and Questioned Costs

See Finding 2015-001 through 2015-004

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 2015-001

Name of contact person: Tracy Mullinax, Interim Director Carolyn Blevins, Interim Income Maintenance Supervisor, Michelle Jones, Lead CPS Worker, Peggy Hyde, Fiscal Officer and Melissa Blevins, Administrative Assistant II

Corrective Action: The Income Maintenance and Child and Adult Protective Services supervisors will train employees on day sheets and review services information system policy with each department. The supervisors will require staff to complete day sheets weekly and turn a timesheet in every Friday to review minutes and codes weekly. Multi level review of day sheets and timesheets weekly with the fiscal officer, the supervisors and the director. Any variances will be corrected on an ongoing basis and corrective action will be made with workers.

Proposed Completion Date: Ongoing

Finding 2015-002

Name of contact person: Tracy Mullinax, Interim Director Carolyn Blevins, Interim Income Maintenance Supervisor, Michelle Jones, Lead CPS Worker, Peggy Hyde, Fiscal Officer and Melissa Blevins, Administrative Assistant II

Corrective Action: Supervisors to review timesheets and day sheets weekly and if findings for correction, supervisors will send back to worker to correct and recertify.

Proposed Completion Date: Ongoing

Finding 2015-003

Name of contact person: County Manager, Finance Officer, Human Resources Director, DSS Director, Health Director

Corrective Action: The County Manager constructs the annual pay plan and submits it to the Office of State Personnel. The County Manager will create a salary pay plan committee each year, which consists of the Finance Officer, the DSS director, the Health Director, and the Human Resources Director which will be charged with analyzing the staffing needs of the human services agencies as well as the county as a whole and will ensure that all planned salary changes and personnel changes will be made to the annual pay plan. The committee will also meet quarterly to review any necessary changes due to changes in program requirements and evaluate whether the staffing alignment is maintained in accordance with the pay plan.

Proposed Completion Date: Ongoing

Finding 2015-004

Name of contact person: Carolyn Blevins, Interim Income Maintenance Supervisor

Corrective Action: Worker will verify ownership of real property, health insurance, NC State Residency and document verification of findings. Continue training for adult workers with webinars in NC Gateway training and if necessary contact other counties to help with training staff. Supervisor will hold at least monthly meetings with staff for in-house peer review of case files and documentation to ensure

Proposed Completion Date: Ongoing

Section IV – State Award Findings and Questioned Costs

See above listed Finding 2015-001 through 2015-004

Graham County, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2015

Finding 2014-1

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.

Finding 2014-2

Status: Improvements are still needed, however, 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 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 takes samples from the day sheet system and traces work indicated on the day sheets into client files on a quarterly basis. Differences are 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.

Finding 2014-3

Status: 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 are monitored on a quarterly basis for alignment. Any differences are corrected with HR and finance for payroll.

Finding 2014-4

Status: The finance officer has arranged with the DSS director to implement a quarterly monitoring system to monitor compliance with eligibility requirements. Any problems noted are reported to the DSS director for disciplinary action.

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Department of Agriculture</u>					
<u>Food and Nutrition Service</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
<u>Supplemental Nutrition Assist. Program Cluster</u>					
State Administrative Matching Grants for					
the Supplemental Nutrition Assistance Program	10.561	XXXX	\$ 80,122	\$ 34	\$ 80,122
Supplemental Nutrition Assist. Program Cluster			80,122	34	80,122
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	55,799	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for					
Women, Infants, & Children	10.557	XXXX	192,173	-	-
Rural Housing Service					
Rural Housing Preservation Grants	10.433	XXXX	27,181	-	-
Total U.S. Department of Agriculture			355,275	34	80,122
<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	39,594	-	-
Total CDBG - State-Administered CDBG Cluster			39,594	-	-
Total U.S. Department of Housing and Urban Development			39,594	-	-
<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					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.509	XXXX	95,791	5,988	-
	20.513	XXXX	55,537	3,972	-
Total U.S. Dept. of Transportation			151,328	9,960	-
<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	44,324	-	-
Total U. S. Department of Homeland Security			44,324	-	-
<u>U.S. Dept. of Health & Human Services</u>					
<u>Office of the Population Affairs</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Family Planning Services Title X	93.217	XXXX	16,533	-	-
<u>Administration on Aging</u>					
<u>Division of Aging and Adult Services</u>					
Passed-through Red Bird Council of Governments:					
<u>Aging Cluster:</u>					
Nutrition Services Incentive Program	93.053	XXXX	148,297	-	13,574
Total Aging Cluster			148,297	-	13,574
<u>Administration for Children and Families</u>					
Social Service Block Grant (SSBG) - In Home Services	93.667	XXXX	8,929	500	2,976

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
<u>Foster Care and Adoption Cluster</u>					
Title IV-E Foster Care - Administration	93.658	XXXX	58,707	51,199	11,962
Foster Care - Direct Benefit Payments	93.658	XXXX	94,825	22,074	40,011
Title IV-E Adoption Administration	93.659	XXXX	1,152	-	1,152
Adoption Assistance - Direct Benefit Payments	93.659	XXXX	35,313	126,527	32,181
Total Foster Care and Adoption			189,997	199,800	85,306
Foster Care - Careworker Visit	93.556	XXXX	-	-	-
<u>Temporary Assistance for Needy Families Cluster</u>					
Temporary Assistance for Needy Families (TANF) / Work First	93.558	XXXX	32,257	68	19,499
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Programs ⁷	93.714	XXXX			
TANF / Work First - Direct Benefit Payments	93.558	XXXX	89,676	-	72,590
Total TANF Cluster			121,933	68	92,089
Child Support Enforcement	93.563	XXXX	62,979	-	32,433
Promoting Safe and Stable Families	93.556	XXXX	9,098	-	-
Refugee and Entrant Assistance					
State Administered Programs	93.566	XXXX	360	-	-
Low-Income Home Energy Assistance Block Grant: Administration	93.568	XXXX	8,429	-	-
Energy Assistance Payments- Direct Benefit Payments	93.568	XXXX	56,080	-	-
Crisis Intervention Program	93.568	XXXX	10,950	-	-
Stephanie Tubbs Jones Child Welfare Services Program					
- Permanency Planning - Families for Kids	93.645	XXXX	2,094	-	698
CPS - TANF to SSBG	93.667	XXXX	35,395	-	-
SSBG - Other Service and Training	93.667	XXXX	43,012	4,315	15,775
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	-	-
TANF	93.558	XXXX	36,335	-	1,658
Total Subsidized Child Care (Note 3)			116,335	-	1,658
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778	XXXX	10,756,148	5,733,790	66,781
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	XXXX	310,893	-	122,407
Total Medicaid Cluster			11,067,041	5,733,790	189,188
Administration:					
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	10,194	588	2,610
Direct Benefit Payments:					
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	229,388	74,053	-
<u>Centers for Disease Control and Prevention</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	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control Program	93.116	XXXX	28	-	-
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	XXXX	12,784	2,040	-
HIV Prevention Activities Health Department Based	93.940	XXXX	993		
Preventive Health and Health Services Block Grant	93.991	XXXX	6,789		

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Health Resources and Services Administration					
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	25,078	19,612	-
Immunization Cluster					
Immunization Grants	93.268	XXXX	5,103	-	-
Total Immunization Cluster			5,103	-	-
Total U.S. Dept. of Health and Human Services			12,217,501	6,034,766	436,307
Total federal awards			12,808,022	6,044,760	516,429
State Awards:					
<u>N.C. Department of Agriculture and Consumer Services</u>					
Agricultural Cost Share Program Allocation		XXXX	-	19,434	19,434
State Matching Funds Allocation		XXXX	-	3,600	-
Total N.C. Dept. of Agriculture and Consumer Services			-	23,034	19,434
<u>N.C. Department of Environment and Natural Resources</u>					
Division of Waste Management					
White Goods Management Program		XXXX	-	10,880	-
Scrap Tire Program		XXXX	-	2,847	-
Total N.C. Dept. of Environmental and Natural Resources			-	13,727	-
<u>N.C. Dept. of Health and Human Services</u>					
Division of Aging and Adult Services					
Division of Social Services					
State/County Special Assistance for Adults - DBP		XXXX	-	70,508	76,453
State Child Welfare/ Child Protective Services		XXXX	-	14,584	-
State Foster Home		XXXX	-	8,598	8,598
County Share of State Programs		XXXX	-	-	122,122
Total Division of Social Service			-	93,690	207,173
Division of Public Health					
General Aid to Counties		XXXX	-	75,075	-
Child Health		XXXX	-	1,197	-
Food and Lodging Fees		XXXX	-	4,984	-
General Communicable Disease Control		XXXX	-	11,336	-
Risk Reduction Health Promotion		XXXX	-	20,042	-
Sexually Transmitted Diseases		XXXX	-	31	-
School Health Centers		XXXX	-	43,840	-
School Nurse Initiatives		XXXX	-	50,000	-
Tuberculosis Medical Service		XXXX	-	540	-
Tuberculosis		XXXX	-	720	-
Women's Health Service Fund		XXXX	-	578	-
Total Division of Public Health			-	208,343	-
Total N. C. Department of Health and Human Services			-	302,033	207,173
<u>Department of Insurance</u>					
Seniors' Health Insurance Information Program		XXXX	-	4,064	-
Total Department of Insurance			-	4,064	-
<u>NC Department of Public Safety</u>					
Division of Juvenile Justice and Delinquency Prevention					
Juvenile Crime Prevention Programs		XXXX	-	54,692	-
Crime Control and Public Safety - Drug Forfeitures		XXXX	-	1,799	-
Total NC Department of Public Safety			-	56,491	-
<u>N.C. Dept. of Transportation</u>					
Rural Operating Assistance Program (ROAP)					
- ROAP Elderly and Disabled Transportation Assistance Program		XXXX	-	42,588	-
- ROAP Rural General Public Program		XXXX	-	40,103	-
- ROAP Work First Transitional - Employment			-	4,283	-
Total ROAP Cluster			-	86,974	-
Total N.C. Department of Transportation			-	86,974	-
Total State awards			-	486,323	226,607
Total federal and State awards			\$ 12,808,022	\$ 6,531,083	\$ 743,036

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
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Notes to the Schedule of Expenditures of Federal and State Financial Awards:

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

2. Summary of Significant Accounting Policies
 Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments or cost principles contained in the Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Pass-through entity identifying numbers are presented where available.

3. 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		54,692

4. Cluster of Programs
 The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes:
 Subsidized Child Care and Foster Care and Adoption