

Graham County, North Carolina

Financial Statements

June 30, 2019

Turner & Company CPAs P.A.

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

Graham County, North Carolina
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June 30, 2019

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INTRODUCTORY INFORMATION

Graham County, North Carolina
List of Principal Officials
as of June 30, 2019

BOARD OF COUNTY COMMISSIONERS

Dale Wiggins, Chairman
Lynn Cody, Vice Chairman
Jacob Nelms, Commissioner
Connie Orr, Commissioner
Keith Eller, Commissioner

COUNTY OFFICIALS

Rebecca E. Garland, MPA, CPA - County Manager and Director of Finance
Kim Crisp - Clerk to the Board
Carolyn Stewart - Register of Deeds
Brandy Cook - Tax Assessor
Tajuana Ledwell - Tax Collector
Joseph Jones - Sheriff
J.K. Coward, Jr. - County Attorney

FINANCIAL SECTION

Turner & Company CPAs P.A.

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

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, 2019, and the related notes to the financial statements, which collectively comprise Graham County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, based upon our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Graham County, North Carolina, as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 9, the Local Government Employees' Retirement System schedules of the County's Proportionate Share of Net Pension Liability (Asset) and the County Contributions, pages 48 and 49, the Register of Deeds' Supplemental Pension Fund schedules of the County's Proportionate Share of the Net Pension Asset and the County Contributions on pages 50 and 51, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 52 and 53 be presented to supplement the basic financial statements.

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

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2020 on our consideration of Graham County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Graham County's internal control over financial reporting and compliance.

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina

January 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Graham County, North Carolina
Management's Discussion and Analysis
June 30, 2019

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, 2019. 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

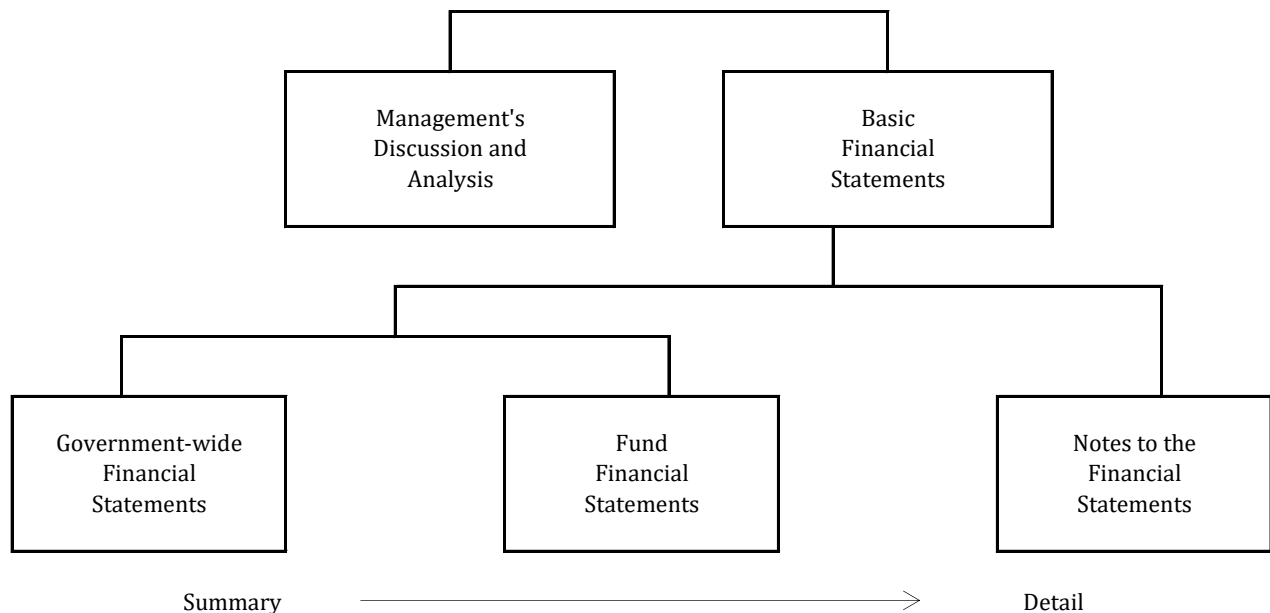
- The assets and deferred outflows of resources of Graham County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$22,011,916 (net position).
- The government's total net position increased by \$1,225,911.
- As of the close of the current fiscal year, Graham County's governmental funds reported combined ending fund balances of \$11,534,917, after a net increase in fund balance of \$523,363, primarily due to a reduction of overall expenditures. Approximately 60.60 percent of this total amount, or \$6,990,688, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,310,866, or 41.05 percent of total general fund expenditures for the fiscal year.
- Graham County's total debt decreased by \$562,242 (10.97%) during the current fiscal year. The County incurred only one additional capital lease for cameras. The primary factor in the net decrease in debt was due to the scheduled principal payments on debt already outstanding from the prior fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the enhanced accounting and financial reporting related to pensions for governments. Required supplementary information can be found beginning on page 47 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$22,011,916 as of June 30, 2019. The County's net position increased by \$1,225,911 for the fiscal year ended June 30, 2019. One of the largest portions \$14,124,202 (64.17%) 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 \$4,793,251 (21.78%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,094,463 is unrestricted.

Graham County, North Carolina's Net Position

Figure 2

	Governmental Activities	
	2019	2018
Current and other assets	\$ 12,803,811	\$ 12,754,004
Capital assets	15,557,127	12,695,044
Deferred outflows of resources	1,254,103	1,525,627
Total assets and deferred outflows of resources	<u>29,615,041</u>	<u>26,974,675</u>
Long-term liabilities outstanding	5,571,870	7,597,189
Other liabilities	1,762,670	1,425,675
Deferred inflows of resources	268,585	201,660
Total liabilities and deferred inflows of resources	<u>7,603,125</u>	<u>9,224,524</u>
Net position:		
Net investment in capital assets	14,124,202	11,432,972
Restricted	4,793,251	5,599,177
Unrestricted	3,094,463	718,002
Total net position	<u>\$ 22,011,916</u>	<u>\$ 17,750,151</u>

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 97.14%, lower than the statewide average of 99.04%, and slightly higher than the county average of 97.13% for counties with populations of 24,999 and below. The percentage collection rate decreased slightly in the current fiscal year.
- 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	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 2,274,629	\$ 2,123,318
Operating grants and contributions	3,438,353	2,795,699
Capital grants and contributions	745,903	1,674,201
General revenues:		
Property taxes	6,847,741	6,799,770
Other taxes	2,207,172	2,107,475
Grants and contributions not restricted to specific programs	881,743	834,638
Investment earnings, unrestricted	62,940	34,962
Other	29,410	43,624
Total revenues	<u>16,487,891</u>	<u>16,413,687</u>
Expenses:		
General government	3,255,476	2,936,302
Public safety	5,141,411	4,419,957
Economic and physical development	192,509	247,292
Human services	4,667,876	4,188,270
Cultural and recreational	478,767	467,320
Education	1,405,393	1,079,737
Interest on long-term debt	120,548	151,376
Total expenses	<u>15,261,980</u>	<u>13,490,254</u>
Change in net position after transfers and special item	1,225,911	2,923,433
Net position, beginning previously reported	20,673,109	17,750,151
Net position, beginning, restated	<u>20,786,005</u>	<u>17,749,676</u>
Net position, ending	<u>\$ 22,011,916</u>	<u>\$ 20,673,109</u>

Governmental activities. Governmental activities increased the County's net position by \$1,225,911. Key elements of this increase are as follows:

- Maintenance of the County's high tax collection rate of 97.14%.
- The \$642,654 increase in operating grants and contributions was due to increases in various sources of funding such as the State Grant for DSS Admin.
- The \$928,298 decrease in capital grants and contributions was primarily due to funds received in the prior year from the North Carolina 911 Board for work on the Graham County E911 Enhancement/Replacement Capital Project Fund, which was completed in the current year.
- Total expenditures increased due to a increase in an overall increase in salary and related expenses, an increase in the appropriations for education, and a increase in capital outlay expenditures for such areas as the Governing Board, Finance, the Register of Deeds, and the Cemetery.

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. Fund balance available may be comprised of amounts shown as restricted, committed, assigned or unassigned.

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 \$7,382,127 while total fund balance reached \$8,860,776. 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 48.15% of general fund expenditures (as adjusted), while total fund balance represents 57.80% of that same amount.

At June 30, 2019, the governmental funds of Graham County reported a combined fund balance of \$11,534,917, a 4.75% increase over last year. The primary reason for this increase was attributed to the slight increase in expenditures being supported by current revenue streams.

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 \$521,113. Budget amendments were made concurrently as facts and circumstances became known with revenue and expenditure streams. Due to prevailing economic conditions in existence at the time of the adoption of the original budget, the County budgeted more conservatively based on uncertainties as to federal and state budget allocations which had not been finalized.

Capital Asset and Debt Administration

Capital assets. Graham County's capital assets for its governmental activities as of June 30, 2019, total \$15,557,127 (net of accumulated depreciation). These assets include land, construction in progress, buildings, other improvements, equipment and furniture, and vehicles and motorized equipment.

Major capital asset transactions during the year included:

- Completed and capitalized construction on the 911 Call Center for a cost of \$2,864,921.
- Purchased a vehicle for the governing board for \$22,971.
- Purchased a new software system for the finance department for \$64,999.
- Purchased office equipment for the Register of Deeds for \$10,090.
- Purchased surveillance cameras for various departments for \$44,593.
- Paved the parking lot for the Graham County Community Center for \$15,118.
- Purchased vehicles and related equipment for the sheriff's department for \$155,786.
- Made improvements to the health department waiting room for \$12,680.
- Purchased a vehicle for environmental health for \$26,254.
- Purchased equipment for computer support for \$23,014.
- Purchased vehicles for the transit department for \$104,473.
- Purchased a vehicle for the cemetery department for \$39,851.

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

Figure 4

Governmental Activities:	2019	2018
Land	\$ 1,798,099	\$ 1,798,099
Construction in progress	44,647	2,255,969
Buildings	11,354,184	8,768,790
Other improvements	875,501	898,505
Equipment and furniture	644,085	689,938
Vehicles and motorized equipment	840,611	897,359
Total	<u>\$ 15,557,127</u>	<u>\$ 15,308,660</u>

Construction commitments

The County has no active construction projects as of June 30, 2019.

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

Long-Term Obligations. Debt totals include general obligation bonds, direct placement installment purchases, and capital leases. As of June 30, 2019, Graham County had total debt outstanding of \$4,562,116. The entire debt is backed by the full faith and credit of the County. Compensated absences and unpaid pension related debt are included in the total long-term obligations.

Graham County, North Carolina's Long-Term Obligations

Figure 5

Governmental Activities:	2019	2018
General obligation bonds	\$ 1,050,000	\$ 1,313,000
Capitalized leases	43,338	25,804
Direct placement installment purchases	3,468,778	3,785,554
Total debt outstanding	<u>4,562,116</u>	<u>5,124,358</u>
Compensated absences	384,353	320,034
Net pension liability (LRS)	1,480,343	1,056,881
Total pension liability (LEOSA)	42,963	53,279
Total long-term obligations	<u>\$ 6,469,775</u>	<u>\$ 6,554,552</u>

Graham County's total debt decreased by \$562,242 (10.97%) during the current fiscal year. The County incurred only one additional capital lease for cameras. The primary factor in the net decrease in debt was due to the scheduled principal payments on debt already outstanding from the prior fiscal year.

Under State law counties are fiscally responsible for providing and maintaining school buildings for the public school system and the community college. At June 30, 2019 the County had debt outstanding of \$1,570,884 for these activities.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Graham County is \$88,549,050.

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

Economic Factors and Next Year's Budgets and Rates

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

- The County budgeted only a slight projected increase in property taxes (benefiting from the economic growth) and a somewhat larger increase in sales tax revenues. The County will use these increases in revenues to finance programs currently in place.
- County leaders also have continued with stringent controls over spending to help maintain reserves during the current state of the economy.
- The current unemployment rate for Graham County is 6.0% as of June 2019, which is significantly higher than the state average of 4.4 percent.

Budget Highlights for the Fiscal Year Ending June 30, 2020

The property tax rate was increased to \$.65 to sustain current tax revenue streams. The County did appropriate \$459,735 in fund balance for the fiscal year 2020 budget. To alleviate any deficit in revenues the County continues to monitor strict spending policies. Staff levels are maintained at levels lower than pre-recession employment in order to curtail spending. Management believes the expected future growth will generate enough revenue to support the County's operations.

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

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Graham County, 196 9th 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

Graham County, North Carolina
Statement of Net Position
June 30, 2019

Exhibit 1

	Primary Government	Component Units	
	Governmental Activities	Travel and Tourism Authority	Rural Development Authority
ASSETS			
Cash and cash equivalents	\$ 6,554,226	\$ 357,779	\$ 187,198
Investments	1,521,247	-	-
Restricted cash and cash equivalents	1,481,829	48,394	-
Restricted investments	1,558,307	-	-
Receivables, net	579,258	44,327	-
Due from other governments	1,064,828	2,862	-
Due from component unit	6,741	-	-
Assets held for resale	-	-	11,558
Prepaid items	24,755	-	-
Net pension asset	12,620	-	-
Capital assets:			
Land and construction in progress	1,842,746	-	165,337
Other capital assets, net of depreciation	13,714,381	-	-
Total capital assets	<u>15,557,127</u>	<u>-</u>	<u>165,337</u>
Total assets	<u>28,360,938</u>	<u>453,362</u>	<u>364,093</u>
DEFERRED OUTFLOWS OF RESOURCES	1,254,103	-	-
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	747,493	9,657	6,027
Accrued interest payable	33,962	-	-
Due to primary government	-	6,741	-
Unearned revenue	83,310	-	-
Current portion of long-term liabilities	897,905	-	134,467
Total current liabilities:	<u>1,762,670</u>	<u>16,398</u>	<u>140,494</u>
Long-term liabilities:			
Due in more than one year	5,571,870	-	-
Total long-term liabilities:	<u>5,571,870</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>7,334,540</u>	<u>16,398</u>	<u>140,494</u>
DEFERRED INFLOWS OF RESOURCES	268,585	-	-
NET POSITION			
Net investment in capital assets	14,124,202	-	30,870
Restricted for:			
Capital Projects	1,593,091	-	-
Debt Service	10,026	-	-
Law Enforcement	65,472	-	-
Public Safety	208,899	-	-
Economic Development	821,273	-	-
Register of Deeds	52,603	-	-
Stabilization by State Statute	1,966,025	47,189	16,450
Register of Deeds Pension Plan	12,620	-	-
Courts	8,661	-	-
Human Services	54,581	-	-
Unrestricted	3,094,463	389,775	176,279
Total net position	<u>\$ 22,011,916</u>	<u>\$ 436,964</u>	<u>\$ 223,599</u>

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

Graham County, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2019

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	\$ 3,255,476	\$ 152,415	\$ -	\$ -	\$ (3,103,061)	\$ (3,103,061)	\$ -	\$ -
Public safety	5,141,411	982,761	235,145	653,599	(3,269,906)	(3,269,906)	-	-
Economic and physical development	192,509	410	-	-	(192,099)	(192,099)	-	-
Human services	4,667,876	1,084,268	2,827,573	92,304	(663,731)	(663,731)	-	-
Cultural and recreation	478,767	54,775	32,925	-	(391,067)	(391,067)	-	-
Education	1,405,393	-	342,710	-	(1,062,683)	(1,062,683)	-	-
Interest on long-term debt	120,548	-	-	-	(120,548)	(120,548)	-	-
Total governmental activities	<u>\$ 15,261,980</u>	<u>\$ 2,274,629</u>	<u>\$ 3,438,353</u>	<u>\$ 745,903</u>	<u>(8,803,095)</u>	<u>(8,803,095)</u>	-	-
Component units:								
Travel and Tourism Authority	\$ 275,735	\$ -	\$ -	\$ -			\$ (275,735)	\$ -
Rural Development Authority	11,031	-	-	-			-	(11,031)
Total component units	<u>\$ 286,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>(275,735)</u>	<u>(11,031)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					6,847,741	6,847,741	-	-
Local option sales tax					2,153,906	2,153,906	-	-
Other taxes and licenses					53,266	53,266	266,994	-
Grants and contributions not restricted to specific programs					881,743	881,743	-	-
Investment earnings, unrestricted					62,940	62,940	435	63
Miscellaneous, unrestricted					29,410	29,410	3,637	19,132
Total general revenues excluding transfers and special items					<u>10,029,006</u>	<u>10,029,006</u>	<u>271,066</u>	<u>19,195</u>
Change in net position					1,225,911	1,225,911	(4,669)	8,164
Net position, beginning previously reported					20,673,109	20,673,109	441,633	215,435
Prior period adjustment/restatement					112,896	112,896	-	-
Net position, beginning as restated					<u>20,786,005</u>	<u>20,786,005</u>	<u>441,633</u>	<u>215,435</u>
Net position, ending					<u>\$ 22,011,916</u>	<u>\$ 22,011,916</u>	<u>\$ 436,964</u>	<u>\$ 223,599</u>

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

Graham County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

Exhibit 3

	Major				Total Nonmajor Funds	Total Governmental Funds
	General	Phillips and Jordan Building Capital Project Fund	Graham County E 911 Enhancement/ Replacement Capital Project Fund			
ASSETS						
Cash and cash equivalents	\$ 6,554,226	\$ -	\$ -	\$ -	\$ -	\$ 6,554,226
Investments	1,521,247	-	-	-	-	1,521,247
Restricted cash and cash equivalents	501,280	-	-	980,549	-	1,481,829
Restricted investments	-	1,558,307	-	-	-	1,558,307
Receivables, net						
Taxes	295,298	-	-	-	-	295,298
Accounts	5,972	-	245,390	8,225	-	259,587
Due from other governments	1,064,335	-	-	493	-	1,064,828
Due from other funds	376,846	-	-	258,023	-	634,869
Due from component unit	6,741	-	-	-	-	6,741
Total assets	\$ 10,350,700	\$ 1,558,307	\$ 245,390	\$ 1,247,290	\$ -	\$ 13,401,687
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 747,493	\$ -	\$ -	\$ -	\$ -	\$ 747,493
Due to other funds	258,023	131,456	245,390	-	-	634,869
Unearned revenue	83,310	-	-	-	-	83,310
Total liabilities	1,088,826	131,456	245,390	-	-	1,465,672
DEFERRED INFLOWS OF RESOURCES						
Property taxes receivable	295,298	-	-	-	-	295,298
Unearned revenue	105,800	-	-	-	-	105,800
Total deferred inflows of resources	401,098	-	-	-	-	401,098
Fund balances:						
Nonspendable						
Prepaid items	24,755	-	-	-	-	24,755
Restricted						
Register of deeds	52,603	-	-	-	-	52,603
Stabilization by State Statute	1,453,894	-	245,390	266,741	-	1,966,025
Capital projects	166,240	1,426,851	-	-	-	1,593,091
Human services	54,581	-	-	-	-	54,581
Law enforcement	65,472	-	-	-	-	65,472
Public safety	-	-	-	208,899	-	208,899
Economic development	49,623	-	-	771,650	-	821,273
Courts	8,661	-	-	-	-	8,661
USDA reserve	10,026	-	-	-	-	10,026
Committed						
Tax revaluation	204,320	-	-	-	-	204,320
Assigned						
Subsequent year's expenditures	459,735	-	-	-	-	459,735
Unassigned	6,310,866	-	(245,390)	-	-	6,065,476
Total fund balances	8,860,776	1,426,851	-	1,247,290	-	11,534,917
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,350,700	\$ 1,558,307	\$ 245,390	\$ 1,247,290	\$ -	\$ 13,401,687

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

Graham County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

Exhibit 3

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

Total Fund Balance, Governmental Funds	11,534,917
Charges related to advance refunding bond issue	20,096
Interest receivable accrued on property taxes are not current financial resources and therefore are not reported in the funds	24,373
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	15,557,127
Net pension asset	12,620
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	321,425
Net pension liability	(1,480,343)
Total pension liability	(42,963)
Deferred inflows of resources for taxes	295,298
Pension related deferrals	749,797
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	(33,962)
Long-term obligations	(4,946,469)
Net position of governmental activities	\$ 22,011,916

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

Graham County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

Exhibit 4

	<u>Major</u>			Total Nonmajor Funds	Total Governmental Funds
	General	Phillips and Jordan Building Capital Project Fund	Graham County E 911 Enhancement/ Replacement Capital Project Fund		
REVENUES					
Ad valorem taxes	\$ 6,800,372	\$ -	\$ -	\$ -	\$ 6,800,372
Local option sales taxes	2,153,906	-	-	-	2,153,906
Other taxes and licenses	53,266	-	-	-	53,266
Unrestricted intergovernmental	881,743	-	-	-	881,743
Restricted intergovernmental	3,391,973	-	653,599	98,705	4,144,277
Other restricted revenue	40,397	-	-	-	40,397
Permits and fees	145,436	-	-	-	145,436
Sales and services	2,128,775	-	-	-	2,128,775
Investment earnings	61,874	-	-	1,066	62,940
Miscellaneous	130,073	-	-	-	130,073
Total revenues	<u>15,787,815</u>	<u>-</u>	<u>653,599</u>	<u>99,771</u>	<u>16,541,185</u>
EXPENDITURES					
Current:					
General government	3,412,692	-	-	-	3,412,692
Public safety	4,954,992	-	653,599	33,958	5,642,549
Economic and physical development	187,359	-	-	-	187,359
Human services	4,469,004	-	-	-	4,469,004
Cultural and recreational	422,843	-	-	-	422,843
Intergovernmental:					
Education	1,781,673	-	-	-	1,781,673
Special appropriations	146,295	-	-	-	146,295
Total expenditures	<u>15,374,858</u>	<u>-</u>	<u>653,599</u>	<u>33,958</u>	<u>16,062,415</u>
Excess (deficiency) of revenues over expenditures	<u>412,957</u>	<u>-</u>	<u>-</u>	<u>65,813</u>	<u>478,770</u>
OTHER FINANCING SOURCES (USES)					
Capital lease obligations issued	44,593	-	-	-	44,593
Total other financing sources (uses)	<u>44,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,593</u>
Net change in fund balance	457,550	-	-	65,813	523,363
Fund balance, beginning as previously reported	8,404,220	1,426,851	-	1,073,751	10,904,822
Prior period adjustment	(994)	-	-	107,726	106,732
Fund balances, beginning as restated	<u>8,403,226</u>	<u>1,426,851</u>	<u>-</u>	<u>1,181,477</u>	<u>11,011,554</u>
Fund balances, ending	<u>\$ 8,860,776</u>	<u>\$ 1,426,851</u>	<u>\$ -</u>	<u>\$ 1,247,290</u>	<u>\$ 11,534,917</u>

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

Graham County, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 523,363
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Capital outlay expenditures which were capitalized	1,203,629
Depreciation expense for governmental assets	(854,499)
Cost of capital asset disposed of during the year, not recorded in the fund statements	(100,663)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	321,425
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>	
Change in unavailable revenue for tax revenues	47,369
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not current financial resources	(5,024)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Capital lease obligations	(44,593)
Principal payments on long-term debt	606,835
Change in accrued interest payable	2,243
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	(64,319)
Pension expense	(409,855)
Total changes in net position of governmental activities	\$ 1,225,911

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

Graham County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2019

	General Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Ad valorem taxes	\$ 6,662,028	\$ 6,662,028	\$ 6,800,372	\$ 138,344
Local option sales taxes	2,060,385	2,076,885	2,153,906	77,021
Other taxes and licenses	55,175	55,175	53,266	(1,909)
Unrestricted intergovernmental	869,450	869,450	881,743	12,293
Restricted intergovernmental	3,503,202	3,733,362	3,391,973	(341,389)
Other restricted revenues	59,060	71,060	40,397	(30,663)
Permits and fees	149,500	149,500	145,436	(4,064)
Sales and services	1,947,123	1,990,123	2,128,775	138,652
Investment earnings	8,086	8,086	61,657	53,571
Miscellaneous	116,000	335,453	130,073	(205,380)
Total revenues	<u>15,430,009</u>	<u>15,951,122</u>	<u>15,787,598</u>	<u>(163,524)</u>
EXPENDITURES				
Current:				
General government	3,407,464	3,604,396	3,382,351	222,045
Public safety	4,904,055	5,201,103	4,954,992	246,111
Economic and physical development	292,119	292,279	187,359	104,920
Human services	4,930,915	5,007,434	4,469,004	538,430
Cultural and recreational	480,019	481,519	422,843	58,676
Special appropriations	130,045	151,445	146,295	5,150
Intergovernmental:				
Education	1,750,603	1,890,796	1,781,673	109,123
Total expenditures	<u>15,895,220</u>	<u>16,628,972</u>	<u>15,344,517</u>	<u>1,284,455</u>
Revenues over (under) expenditures	<u>(465,211)</u>	<u>(677,850)</u>	<u>443,081</u>	<u>1,120,931</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(176,240)	(176,240)	(10,000)	166,240
Capital lease obligations issued	108,500	108,500	44,593	(63,907)
Total other financing sources (uses)	<u>(67,740)</u>	<u>(67,740)</u>	<u>34,593</u>	<u>102,333</u>
Fund balance appropriated	<u>532,951</u>	<u>745,590</u>	<u>-</u>	<u>(745,590)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>477,674</u>	<u>\$ 477,674</u>
Fund balance, beginning as previously reported			8,179,776	
Prior period adjustment			(994)	
Fund balance, beginning as restated			<u>8,178,782</u>	
Fund balance, ending			<u>\$ 8,656,456</u>	

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

Graham County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2019

Exhibit 7

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 44,457
LIABILITIES	
Liabilities:	
Miscellaneous liabilities	\$ 40,986
Due to Town of Robbinsville	2,341
Due to Town of Santeetlah	498
Intergovernmental payable - State of North Carolina	632
	<hr/>
Total liabilities	\$ 44,457
	<hr/>

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

Graham County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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**Graham County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019**

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Graham County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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 seven 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 was a separate governmental fund of the County (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 board member of T&T with cause. T&T, which has a June 30 year-end, is presented as if it was a separate governmental fund of the County. 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 nonmajor funds.

The County reports the following major governmental funds:

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

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

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

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

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Municipal Tax Fund, which accounts for funds that are billed and collected by the County for various municipalities within the County but are not revenues to 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.

Nonmajor Funds. The County maintains two legally budgeted nonmajor funds. The Emergency Telephone System Fund and the Economic Development Fund ("EDC") are reported as nonmajor special revenue funds.

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

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

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year.

As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

C. Budgetary Data

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

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the County, T&T, and RDA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers’ acceptances and the North Carolina Capital Management Trust (NCCMT). The County, T&T, and RDA’s investments are carried at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Graham County Restricted Investments

Governmental Activities		
Phillips and Jordan Building Capital Project Fund	Unexpended debt proceeds	\$ 1,558,307
Total Governmental Activities Restricted Investments		<u>\$ 1,558,307</u>

Graham County Restricted Cash and Cash Equivalents

Governmental Activities			
General Fund	Facility Fund	\$	8,661
	Register of Deeds AE&P Fund		52,603
	Duke Energy STW/Shareholder FDS		3,844
	Unexpended grant proceeds - low-income housing		47,685
	Unexpended grant proceeds - ARC		1,938
	Unexpended grant proceeds - transit		54,581
	Sheriff Impound Fees		4,961
	Sheriff Concealed Permits		60,158
	4H Youth Education		10,979
	Sheriff's Office Trust Account		353
	Sheriff NC Drug Tax Account		16,845
	Sheriff Federal Drug Account		2,061
	Soil and Water Conservation		31,533
	USDA Reserve Account - condition of loan		10,026
	Tax revaluation		195,052
	Total General Fund Restricted Cash and Cash Equivalents		<u>501,280</u>
EDC Special Revenue Fund	Unexpended grant proceeds - Golden Leaf		771,650
Emergency Telephone Fund	911 emergency service		208,899
Total Governmental Activities Restricted Cash and Cash Equivalents		\$	<u>1,481,829</u>

Discretely presented component units

Graham County Travel & Tourism Authority

Governmental Activities			
General Fund	Capital Reserve	\$	48,394

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, 2018. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

Discretely presented component units*Graham County Rural Development Authority*

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

7. Capital Assets

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

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

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

	<u>Years</u>
Buildings	40
Other improvements	25
Equipment and furniture	3 - 10
Vehicles and motorized equipment	3 - 10

Land and construction in progress are not depreciated.

Capital assets of the Authority 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. Unearned Revenue

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

9. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meet this criterion - a charge on refunding, pension related deferrals, and contributions made to the pension plans 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 - prepaid taxes, property taxes receivables, and other pension related deferrals.

10. Long-Term Obligations

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

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

11. Compensated Absences

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

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

12. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balance as follows:

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

Prepaid items - portion of fund balance that is not an available resource because it represents payments to vendors for costs applicable to future accounting periods, which are not spendable resources.

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 - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13. Defined Benefit Pension Plans

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

14. Reclassifications

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

15. Estimates

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

16. Major Taxpayer

The County has one major taxpayer with property valued at \$205,503,871.

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 \$10,476,999 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)	\$ 24,603,845
Less accumulated depreciation	<u>(9,046,718)</u>
Net capital assets	15,557,127
Net pension asset	12,620
Contributions to the pension plan in the current fiscal year	321,425
Deferred outflows of resources related to pensions are not reported in the fund statements	912,582
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not current financial resources	20,096
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	24,373
Deferred inflows of resources for taxes reported in the fund statements but not the government-wide statements	295,298
Deferred inflows of resources related to pensions are not reported in the fund statements	(162,785)
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	(4,562,116)
Compensated absences	(384,353)
Pension liabilities (LGERS and LEOSSA)	(1,523,306)
Accrued interest payable	<u>(33,962)</u>
Total adjustment	<u>\$ 10,476,999</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 \$702,548 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,203,629
Cost of disposed capital asset not recorded in fund statements	(100,663)
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	(854,499)
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	(44,593)
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	606,835
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	321,425
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	(2,781)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(64,319)
County's portion of collective pension expense	(409,855)
Change in unavailable revenue for tax revenues	47,369
Total adjustment	<u>\$ 702,548</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.

3. Deficit in Fund Balance of Individual Funds Not Appropriated in Subsequent Year's Budget Ordinance

None Noted.

4. 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, 2019, the County's deposits had a carrying amount of \$8,080,111 and a bank balance of \$8,550,848. Of the bank balance, \$500,000 was covered by federal depository insurance and \$8,050,848 was covered by collateral held under the Pooling Method.

At June 30, 2019, Graham County had \$401 cash on hand.

At June 30, 2019 the carrying amount of deposits for T&T was \$406,173 and the bank balance was \$414,316. Of the bank balance, \$250,000 was covered by federal depository insurance and \$164,316 was covered by collateral held under the Pooling Method.

At June 30, 2019, the carrying amount of deposits for RDA was \$187,198 and a bank balance of \$168,585. All of the bank balance was covered by federal depository insurance.

2. Investments

As of June 30, 2019, the County had the following investments and maturities.

Investments by Type	Valuation Measurement Method	Fair Value	Less Than 6 Months
NC Capital Management Trust - Government Portfolio	Fair Value - Level 1	\$ 3,079,554	\$ 3,079,554
		Total \$ 3,079,554	\$ 3,079,554

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. The County has no formal investment policy regarding interest rate risk.

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAA by Standard & Poor's as of June 30, 2019.

3. Receivables

Receivables at the government-wide level at June 30, 2019, were as follows:

	Landfill Receivable	Taxes Receivable	Accrued Interest Receivable on Taxes	Accounts	Total
Governmental Activities:					
General	\$ 7,830	\$ 523,961	\$ 24,373	\$ 5,972	\$ 562,136
Other governmental	-	-	-	253,615	253,615
Total receivables	7,830	523,961	24,373	259,587	815,751
Allowance for doubtful accounts	7,830	228,663	-	-	236,493
Total governmental activities	\$ -	\$ 295,298	\$ 24,373	\$ 259,587	\$ 579,258

Discretely presented component units

Graham County Travel and Tourism Authority

Graham County Travel and Tourism Authority's \$44,327 in accounts receivable at June 30, 2019 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 \$2,862 at June 30, 2019.

4. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances As Restated	Additions	Retirements	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 1,798,099	\$ -	\$ -	\$ -	\$ 1,798,099
Construction in progress	2,255,969	653,599	-	(2,864,921)	44,647
Total capital assets not being depreciated	4,054,068	653,599	-	(2,864,921)	1,842,746
Capital assets being depreciated:					
Buildings	11,083,969	-	-	2,864,921	13,948,890
Other improvements	1,322,616	37,258	-	-	1,359,874
Equipment and furniture	3,251,713	156,822	-	-	3,408,535
Vehicles and motorized equipment	3,805,485	355,950	117,635	-	4,043,800
Total capital assets being depreciated	19,463,783	550,030	117,635	2,864,921	22,761,099
Less accumulated depreciation for:					
Buildings	2,315,179	279,527	-	-	2,594,706
Other improvements	424,111	60,262	-	-	484,373
Equipment and furniture	2,561,775	202,675	-	-	2,764,450
Vehicles and motorized equipment	2,908,126	312,035	16,972	-	3,203,189
Total accumulated depreciation	8,209,191	854,499	16,972	-	9,046,718
Total capital assets being depreciated, net	11,254,592				13,714,381
Governmental activity capital assets, net	<u>\$ 15,308,660</u>				<u>\$ 15,557,127</u>

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

General government	\$ 159,267
Public safety	313,277
Economic and physical development	1,172
Human services	322,750
Cultural and recreational	58,033
Total depreciation expense	<u>\$ 854,499</u>

Construction commitments

The County has no active construction projects as of June 30, 2019.

Discretely presented component units*Graham County Rural Development Authority*

Capital asset activity for the Authority for the year ended June 30, 2019, was as follows:

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 148,887	\$ 16,450	\$ -	\$ -	\$ 165,337
Total capital assets not being depreciated	<u>\$ 148,887</u>	<u>\$ 16,450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,337</u>

Construction commitments

The Authority has an active construction project as of June 30, 2019. At year-end, the Authority's commitment with contractors is as follows:

Project	Spent-to-date	Remaining Commitment
Moose Branch Road	<u>\$ 150,950</u>	<u>\$ 218,550</u>

B. Liabilities**1. Payables**

Payables at the government-wide level at June 30, 2019, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 561,181	\$ 185,312	\$ 746,493
Other governmental	1,000	-	1,000
Total-governmental activities	<u>\$ 562,181</u>	<u>\$ 185,312</u>	<u>\$ 747,493</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, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$320,513 for the year ended June 30, 2019.

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.

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

At June 30, 2019, the County reported a liability of \$1,480,341 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the County's proportion was .06240% (measured as of June 30, 2018), which was a decrease of .00678% from its proportion as of June 30, 2018 (measured as of June 30, 2017).

For the year ended June 30, 2019, the County recognized pension expense of \$402,792. At June 30, 2019, 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	\$ 228,381	\$ 7,664
Changes of assumptions	392,825	-
Net difference between projected and actual earnings on pension plan investments	203,206	-
Changes in proportion and differences between County contributions and proportionate share of contributions	80,395	120,847
County contributions subsequent to the measurement date	320,513	-
Total	<u>\$ 1,225,320</u>	<u>\$ 128,511</u>

\$320,513 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 400,476
2021	254,005
2022	17,682
2023	104,133
2024	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.50 percent
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* 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, 2017 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. 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 liability calculated using the discount rate of 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	\$ 3,555,908	\$ 1,480,341	\$ (254,035)

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Inactive Members Currently Receiving Benefits	-
Active Members	9
Total	9

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2017 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality Rate

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

4. Contributions

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

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

At June 30, 2019, the County reported a total pension liability of \$42,963. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the County recognized pension expense of \$5,629.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 29,372
Changes of assumptions	5,058	3,120
County benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 5,058</u>	<u>\$ 32,492</u>

The County did not pay any benefit payments or administrative expenditures subsequent to the measurement date. Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pension benefits will be recognized in Pension Expense as follows:

Year ended June 30:

2020	\$ (6,139)
2021	(6,139)
2022	(6,139)
2023	(5,743)
2024	(3,274)
Thereafter	-

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 3.64 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1- percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 48,893	\$ 42,963	\$ 37,858

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

Total pension liability as of December 31, 2017	\$ 53,279
Changes for the year:	
Service cost	10,084
Interest on the total pension liability	1,684
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(19,346)
Changes of assumptions or other inputs	(2,738)
Benefit payments	-
Other changes	-
Net changes	(10,316)
Total pension liability as of December 31, 2018	\$ 42,963

Changes of assumptions. Since the Prior Measurement Date, the Discount Rate has changed from 3.16% to 3.64% due to a change in the Municipal Bond Rate.

Changes in Benefit Terms. There were no changes in benefit terms since the prior Measurement Date.

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

The County contributed \$19,066 for the year ended June 30, 2019. No amounts were forfeited.

d. Registers of Deeds' Supplemental Pension Fund

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

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 \$912 for the year ended June 30, 2019.

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

At June 30, 2019, the County reported an asset of \$12,621 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the County's proportion was 0.07620%, which was an increase of .00681% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$1,434. At June 30, 2019, 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	\$ 111	\$ 576
Changes of assumptions	594	-
Net difference between projected and actual earnings on pension plan investments	2,012	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,206
County contributions subsequent to the measurement date	912	-
Total	\$ 3,629	\$ 1,782

\$912 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 370
2021	(341)
2022	593
2023	313
2024	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2018 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 3.75%. 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 3.75 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 (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$ 9,951	\$ 12,621	\$ 14,873

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

The net pension liability for LGERS and RODSPF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2018, with an actuarial valuation date of December 31, 2017. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>LGERS</u>	<u>RODSPF</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 1,480,341	\$ (12,621)	\$ -	\$ 1,467,720
Proportion of the of Net Pension Liability (Asset)	0.0620%	0.0762%	n/a	n/a
Total Pension Liability	n/a	n/a	\$ 42,963	\$ 42,963
Pension Expense	\$ 402,792	\$ 1,434	\$ 5,629	\$ 409,855

At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>RODSPF</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 228,381	\$ 111	\$ -	\$ 228,492
Changes of assumptions	392,825	594	5,058	398,477
Net difference between projected and actual earnings on pension plan investments	203,206	2,012	-	205,218
Changes in proportion and differences between County contributions and proportionate share of contributions	80,395	-	-	80,395
County contributions (LGERS, RODSPF)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	320,513	912	-	321,425
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	\$ 7,664	\$ 576	\$ 29,372	\$ 37,612
Changes of assumptions	-	-	3,120	3,120
Changes in proportion and differences between County contributions and proportionate share of contributions	120,847	1,206	-	122,053

f. Other Postemployment Benefit

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

g. Other Employment Benefits

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

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

3. Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Charge on refunding of debt	\$ 20,096	\$ -
Pensions - difference between expected and actual experience	228,492	37,612
Pensions - changes of assumptions	398,477	3,120
Pensions - difference between projected and actual investment earnings	205,218	-
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	80,395	122,053
Contributions to pension plan subsequent to measurement date (LGERS, ROD)	321,425	-
Prepaid taxes not yet earned (General)	-	105,800
Taxes receivable, net, less penalties (General)	-	295,298
Total deferred inflows of resources	<u>\$ 1,254,103</u>	<u>\$ 563,883</u>

4. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of, assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance for these risks of loss. The County obtains property coverage equal to the replacement cost of owned property subject to a total insured value of \$21,163,166, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability at \$1 million per occurrence; auto physical damage for owned autos at actual cash value; crime coverage of \$250,000 per occurrence; and worker's compensation up to the statutory limits. The County is also covered up to \$1 million for flood and earthquake damage. All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County.

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

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

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

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

Graham County Rural Development Authority

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

5. Contingent Liabilities

At June 30, 2019, 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 entered into a lease agreement on September 1, 2017 for the lease of equipment and requires four annual payments. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the date of its inception. Under the terms of the lease agreement, title passes to the County at the end of the lease term.

The County entered into a lease agreement on June 30, 2019 for the lease of equipment and requires three annual payments. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the date of its inception. Under the terms of the lease agreement, title passes to the County at the end of the lease term.

At June 30, 2019, the County leased equipment valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment - Cisco switches	\$ 35,890	\$ 4,273	\$ 31,617
Equipment - cameras	44,593	-	44,593
Total	\$ 80,483	\$ 4,273	\$ 76,210

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, are as follows:

Year ending June 30,	
2020	\$ 27,060
2021	19,541
Total minimum lease payments	46,601
Less: amount representing interest	3,263
Present value of the minimum lease payments	\$ 43,338

b. Installment Purchases

The County has entered into direct placements. Direct placements outstanding at June 30, 2019, were as follows:

On September 13, 2005, the County entered into a \$1,618,000 QZAB direct placement contract for school improvements. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 16 annual principal payments of \$84,394, and one final payment of \$267,704, including interest at zero percent, and matures on September 13, 2021.	\$ 520,884
On September 17, 2015, the County entered into a \$453,818 direct placement contract with the United States Department of Agriculture to replace the fund balance reserve that was somewhat depleted by the purchase of the transfer station. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires thirty annual payments of \$25,065, including interest at 3.625%, and matures on September 17, 2045.	427,027
On October 15, 2015, the County entered into a \$90,565 direct placement contract for the purchase of cardiac monitors. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires four annual payments of \$23,790, including interest at 2.01%, and matures on October 15, 2019.	23,322
On May 31, 2017, the County entered into a \$24,823 direct placement contract for the purchase of a Chevrolet Express Cargo Van. The vehicle is pledged as collateral for the debt. The financing contract requires three annual payments of \$8,826, including interest at 3.25%, and matures on May 31, 2020.	8,545
On June 1, 2017, the County entered into a \$2,873,000 direct placement contract for the acquisition, renovation and improvement of the Phillips & Jordan Building located at 191 P&J Road, Robbinsville, North Carolina. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires eight annual principal payments of \$192,000 followed by seven annual principal payments of \$191,000, including interest at 2.67% beginning on March 15, 2018. There will also be annual interest only payments beginning September 15, 2017 through September 15, 2031 at 2.67%, and matures on March 15, 2032.	2,489,000
	\$ 3,468,778

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2020	\$ 317,845	\$ 82,685
2021	286,326	76,462
2022	554,390	70,976
2023	202,666	65,476
2024	203,052	59,963
2025-2029	1,017,571	216,772
2030-2034	646,570	82,353
2035-2039	87,907	37,418
2040-2044	105,038	20,287
2045-2046	47,413	2,717
Total	<u>\$ 3,468,778</u>	<u>\$ 715,109</u>

c. General Obligation Indebtedness

The general obligation bonds are collateralized by the full faith, credit and taxing power of the County. Principal and interest payments are appropriated when due. In the event of a default, the County agrees to pay to the Purchaser, on demand, interest on any and all amounts due and owing by the County under this Agreement.

The County's general obligation bonds payable at June 30, 2019 is comprised of the following:

Serviced by the County's General Fund:

\$2,323,000 2014 Refunding Bonds, principal installments ranging from \$245,000 to \$269,000 are due annually on June 1 with semiannual interest payments due on December 1 and June 1, at an annual interest rate of 2.20% through June 1, 2023.

\$ 1,050,000

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2020	\$ 269,000	\$ 23,100
2021	263,000	17,182
2022	262,000	11,396
2023	256,000	5,632
2024	-	-
Total	<u>\$ 1,050,000</u>	<u>\$ 57,310</u>

Debt Related to Capital Activities - Of the total Governmental Activities debt listed only \$1,432,925 relates to assets the County holds title. Unspent restricted investments related to this debt amounts to \$1,558,306.

d. Refunding

On May 1, 2014, the County issued \$4,275,000 of general obligation refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust and used to refund \$2,200,000 of general obligation bonds on September 23, 2014. As a result, the refunded bonds are defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$123,000. This refunding was undertaken to reduce total debt service payments by \$102,950.

e. 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, 2019:

	Beginning Balances	Additions	Retirements	Ending Balances	Due Within One Year
General obligation bonds	\$ 1,313,000	\$ -	\$ 263,000	\$ 1,050,000	\$ 269,000
Capitalized leases	25,804	44,593	27,059	43,338	27,060
Direct placement installment purchases	3,785,554	-	316,776	3,468,778	317,845
Compensated absences	320,034	348,932	284,613	384,353	284,000
Net pension liability (LGRS)	1,056,881	423,462	-	1,480,343	-
Total pension liability (LEOSSA)	53,279	-	10,316	42,963	-
Total	<u>\$ 6,554,552</u>	<u>\$ 816,987</u>	<u>\$ 901,764</u>	<u>\$ 6,469,775</u>	<u>\$ 897,905</u>

No interest was capitalized during the year ended June 30, 2019; interest incurred and charged to expense totaled \$117,767.

Net pension liability and total pension liability for governmental activities are all typically liquidated in the general fund. 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, 2019, Graham County had a legal debt margin of \$88,549,050.

Discretely presented component unit

Graham County Rural Development Authority

The following is a summary of changes in the RDA's long-term obligations for the fiscal year ended June 30, 2019:

	Beginning Balances	Additions	Retirements	Ending Balances	Due Within One Year
Non-revolving line of credit	\$ 134,467	\$ -	\$ -	\$ 134,467	\$ 134,467
Total	\$ 134,467	\$ -	\$ -	\$ 134,467	\$ 134,467

C. Prior Period Adjustment

During the fiscal year ended June 30, 2019, the County determined that certain transactions were recorded incorrectly in the prior year.

Emergency Telephone System Fund Balance: The fund balance of the Emergency Telephone System Fund was understated at June 30, 2018 by \$107,726 due to expenditures that were deemed ineligible for reimbursement.

Emergency Telephone System Fund Balance, beginning as previously reported	\$	302,872
Ineligible expenditures made in the prior fiscal year		107,726
Net prior period adjustment		107,726
Emergency Telephone System Fund Balance, beginning as restated	\$	410,598

General Fund Balance: The understatement in the Emergency Telephone System Fund contributed to an understatement of expenditures in the General Fund of \$994. This adjustment decreased beginning fund balance by \$994.

General Fund Balance, beginning as previously reported	\$	8,179,776
Adjustment for Emergency Telephone System Fund		(994)
Net prior period adjustment		(994)
General Fund Balance, beginning as restated	\$	8,178,782

Governmental Activities: Beginning capital assets and accumulated depreciation were understated by \$6,164 as a result of the ineligible expenditures in the Emergency Telephone System Fund. The adjustment to capital assets, accumulated depreciation, and the abovementioned changes in fund balance resulted in net position being understated by \$112,896.

Net Position, beginning as previously reported	\$	20,673,109
Capital asset and accumulated depreciation understatement		6,164
Emergency Telephone System Fund Balance understatement		107,726
General Fund Balance overstatement		(994)
Net prior period adjustment/restatement		112,896
Net Position, beginning as restated	\$	20,786,005

D. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019, consist of the following:

Due from the General Fund to:		
Emergency Telephone Fund	\$	258,023
Total	\$	258,023
Due to the General Fund from:		
Phillips and Jordan Building Capital Project Fund	\$	131,456
Graham County E911 Enhancement/Replacement Capital Project Fund		245,390
Total	\$	376,846

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

Transfers to/from other funds at June 30, 2019, consisted of the following:

From the General Fund to the Revaluation Fund to provide resources for the next property revaluation	\$ 10,000
Total	<u>\$ 10,000</u>

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

E. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2019, is computed as follows:

Capital assets, net of accumulated depreciation	\$ 15,557,127
Less capital debt:	
Gross debt (excluding compensated absences)	4,562,116
Less:	
Unexpended debt proceeds	1,558,307
School debt related to assets to which the County does not hold title	<u>1,570,884</u>
Total capital debt	1,432,925
Net investment in capital assets	<u>\$ 14,124,202</u>

F. Fund Balance

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

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

Total fund balance - General Fund	\$ 8,860,776
Less:	
Prepaid items	24,755
Register of deeds	52,603
Stabilization by State Statute	1,453,894
Capital projects	166,240
Human services	54,581
Law enforcement	65,472
Economic development	49,623
Courts	8,661
USDA reserve	10,026
Tax revaluation	204,320
Appropriated fund balance in 2020 budget	459,735
Working capital/ fund balance policy	1,284,993
Remaining fund balance	<u>\$ 5,025,873</u>

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.

Encumbrances	General Fund	Nonmajor Funds
\$ -	-	\$ -

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, 2019, 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 five 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, 2019. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$75,000 to the Library to supplement its activities. Complete financial statements for the Library may be obtained from the Library's offices at 101-A Blumenthal Street, Murphy, NC 28906.

V. Jointly Governed Organizations

The County, in conjunction with seven other counties and fifteen municipalities, established the Southwestern N.C. Planning and Economic Development Commission (Commission). The participating governments established the Commission to coordinate funding received from various federal and State agencies. Each participating government appoints one member to the Commission's forty-four member governing board. The County paid membership fees of \$6,195 to the Commission during the fiscal year ended June 30, 2019.

The County, in conjunction with seven other counties, established Vaya Health, formerly Smoky Mountain Mental Health Center. The participating governments established Vaya Health to provide mental health services to the western region of North Carolina. The County designates a commissioner they wish to serve on the County Commissioner Advisory Board of Vaya Health. The County Commissioner Advisory Board serves solely in an advisory capacity and does not have authority over budgeting, personnel matters, governance or policy making. The County contributed \$6,000 to Vaya Health during the fiscal year ended June 30, 2019.

VI. Partnering Agreement

The Graham County Rural Development Authority (Authority) entered into a partnering agreement with the Graham County Board of Education on March 1, 2016 to construct a dwelling house for resale on property held by the Graham County Rural Development Authority. Within the partnering agreement, the Authority conveyed and sold a lot held by the Authority to the Graham County Board of Education for \$15,000. The two entities agreed that payment of \$15,000 for the lot would be made at the time that the house constructed by the Robbinsville High School vocational department was sold to a third party. In addition, the parties agreed that the Authority would advance to Graham County Board of Education additional funds 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 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. During the fiscal year ended June 30, 2019, the dwelling was sold, all advanced funds were reimbursed by the Graham County Board of Education, and a profit share of \$19,138 was received by the Authority.

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

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

VIII. New Accounting Pronouncements***Pronouncements effective for the 2019 Financial Statements:***

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations and sets the guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. This pronouncement did not impact the County.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The County has implemented GASB No. 88 and modified the note disclosures related to debt.

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

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

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

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. This new standard aims to provide consistency in the reporting of majority equity interests and improve the relevance of information related to certain component units. The requirements of GASB 90 are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. Most provisions will be applied on a retroactive basis; however, provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest will be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

IX. Significant Effects of Subsequent Events

The County has evaluated subsequent events and transactions through January 30, 2020, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

- A. The County purchased a CT and 3D mammography machine using Golden Leaf funds in the amount of \$541,902.
- B. The County has entered into a contract for improvements to the Urgent Care Building. A total of \$50,409 had been spent through September 2019.
- C. The County has entered into a lawsuit with Stanley Furniture, LLC alleging that Stanley Furniture, LLC conveyed property to Graham County under fraudulent circumstances by not disclosing the presence of known industrial waste which is considered a brownfield. At the end of December 2019, the County was notified that Stanley Furniture, LLC was in negotiations to settle this issue by either taking back the property or paying reasonable costs of remediation of the property.
- D. The County has been awarded a \$50,000 grant from the Appalachian Regional Commission for the purchase of a QRV (Quick Response Vehicle) for the Community Paramedicine Program.
- E. The County has been awarded a \$100,000 grant from the Appalachian Regional Commission to be used as matching funds for the purchase of the mammography machine.
- F. The County has been awarded a three-year grant in the amount of \$248,500 grant from the Duke Endowment Fund for a full-time employee, equipment, and supplies for the Community Paramedicine Program.
- G. The County has been awarded a \$245,000 grant to fund a community peer support for individuals who are victims of opioid abuse.
- H. The County has been awarded \$4,000 in grants from the Nantahala Trust for operational support of the transit and health departments.
- I. Graham County Schools was awarded a \$3.2 million grant for the construction of a sixth grade wing under the NC Needs Based Public School Grant. The County will provide 20% in matching funds which will be financed by the Section 524 sales tax revenues. The School System is in the planning phase of the project, and it is estimated that the project will commence within the next five years. There is no time limit on the use of the funds.
- J. The County purchased a MAC trailer with a walking floor for \$75,000. Due to a manufacturer defect, the trailer was returned and the proceeds refunded on November 15, 2019. The County is currently pursuing a replacement trailer.
- K. The County purchased a 2019 Ambulance for \$213,620.
- L. The Board of Commissioners has committed to the construction of two buildings, one for the cemetery and one for recreation, at an estimated cost of \$250,000.
- M. The Board of Commissioners has approved the purchase of IT equipment for the Sheriff's Department with an approximate cost of \$34,000, which will be financed through a lease.
- N. The Board of Commissioners has approved the purchase of tablet technology for the ambulances with an approximate cost of \$6,300.
- O. The County has hired a project manager to facilitate upcoming capital projects at an annual salary of \$65,000 plus benefits.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

Local Governmental Employees' Retirement System

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

Register of Deeds' Supplemental Pension Fund

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

Law Enforcement Officers' Special Separation Allowance

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

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

	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.062%	0.069%	0.076%	0.069%	0.078%	0.083%
County's proportionate share of the net pension liability (asset) \$	\$ 1,480,341	\$ 1,056,879	\$ 1,613,401	\$ 307,741	\$ (461,771)	\$ 1,002,880
County's covered-employee payroll	\$ 3,932,080	\$ 4,040,090	\$ 4,021,910	\$ 3,771,110	\$ 3,994,140	\$ 4,162,209
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.65%	26.16%	40.12%	8.16%	(11.56%)	24.09%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 320,513	\$ 297,575	\$ 299,992	\$ 410,849	\$ 396,494	\$ 418,574
Contributions in relation to the contractually required contribution	<u>320,513</u>	<u>297,575</u>	<u>299,992</u>	<u>410,849</u>	<u>396,494</u>	<u>418,574</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 4,088,931	\$ 3,932,080	\$ 4,040,090	\$ 4,021,910	\$ 3,771,110	\$ 3,994,140
Contributions as a percentage of covered-employee payroll	7.84%	7.57%	7.43%	10.22%	10.51%	10.48%

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

	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.0762%	0.0694%	0.0680%	0.6310%	6.7200%	6.7200%
County's proportionate share of the net pension liability (asset) \$	\$ (12,621)	\$ (11,844)	\$ (12,778)	\$ (14,611)	\$ (15,236)	\$ (14,288)
Plan fiduciary net position as a percentage of the total pension liability	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 912	\$ 597	\$ 600	\$ 565	\$ 556	\$ 549
Contributions in relation to the contractually required contribution	912	597	600	565	556	549
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Graham County, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
For the Year Ended June 30, 2019

	2019	2018	2017
Beginning balance	\$ 53,279	\$ 54,874	\$ 45,225
Service cost	10,084	8,833	9,590
Interest on the total pension liability	1,684	2,118	1,615
Changes of benefit terms the measurement of the total pension liability	-	-	-
Changes of assumptions or other inputs	(19,346)	(20,226)	-
Benefit payments	-	-	-
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 42,963</u>	<u>\$ 53,279</u>	<u>\$ 54,874</u>

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

Graham County, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
For the Year Ended June 30, 2019

	2019	2018	2017
Total pension liability	\$ 42,963	\$ 53,279	\$ 54,874
Covered payroll	413,888	480,234	483,289
Total pension liability as a percentage of covered payroll	10.38%	11.09%	11.35%

Notes to the schedules:

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

Combining and Individual Fund
Statements and Schedules

MAJOR GOVERNMENTAL FUNDS

The County has the following major governmental funds:

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

Capital Project Funds:

- **Graham County E 911 Enhancement/Replacement Capital Project Fund** - This fund accounts for the construction of a new 911 center to replace the existing primary PSAP center. This project will also serve to enhance current equipment and software necessary for the 911 center operations. The project is funded by a grant from North Carolina 911 Board.
- **Phillips and Jordan Building Capital Project Fund** - This fund accounts for the acquisition, renovation and improvement of the Phillips & Jordan Building located at 191 P&J Road, Robbinsville, North Carolina. This project is financed by loan proceeds. For the fiscal year ended June 30, 2019, the fund had no financial transactions to report.

Graham County, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balances
General Fund - Consolidated
For the Fiscal Year Ended June 30, 2019

	General Fund	Revaluation Fund	Eliminations	Total
REVENUES				
Ad valorem taxes	\$ 6,800,372	\$ -	\$ -	\$ 6,800,372
Local option sales taxes	2,153,906	-	-	2,153,906
Other taxes and licenses	53,266	-	-	53,266
Unrestricted intergovernmental	881,743	-	-	881,743
Restricted intergovernmental	3,391,973	-	-	3,391,973
Other restricted revenues	40,397	-	-	40,397
Permits and fees	145,436	-	-	145,436
Sales and services	2,128,775	-	-	2,128,775
Investment earnings	61,657	217	-	61,874
Miscellaneous	130,073	-	-	130,073
Total revenues	<u>15,787,598</u>	<u>217</u>	<u>-</u>	<u>15,787,815</u>
EXPENDITURES				
Current:				
General government	3,382,351	30,341	-	3,412,692
Public safety	4,954,992	-	-	4,954,992
Economic and physical development	187,359	-	-	187,359
Human services	4,469,004	-	-	4,469,004
Cultural and recreational	422,843	-	-	422,843
Intergovernmental:				
Education	1,781,673	-	-	1,781,673
Special appropriations	146,295	-	-	146,295
Total expenditures	<u>15,344,517</u>	<u>30,341</u>	<u>-</u>	<u>15,374,858</u>
Revenues over (under) expenditures	<u>443,081</u>	<u>(30,124)</u>	<u>-</u>	<u>412,957</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	10,000	(10,000)	-
Transfers out	(10,000)	-	10,000	-
Capital lease obligations issued	44,593	-	-	44,593
Total other financing sources (uses)	<u>34,593</u>	<u>10,000</u>	<u>-</u>	<u>44,593</u>
Fund balance appropriated/(additions)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	477,674	(20,124)	<u>\$ -</u>	457,550
FUND BALANCES				
Fund balance, beginning as previously reported	8,179,776	224,444		8,404,220
Prior period adjustment	(994)	-		(994)
Fund balance, beginning as restated	<u>8,178,782</u>	<u>224,444</u>		<u>8,403,226</u>
Fund balance, ending	<u>\$ 8,656,456</u>	<u>\$ 204,320</u>		<u>\$ 8,860,776</u>

Exhibit 4

A legally budgeted Tax Revaluation fund is consolidated into the General Fund for reporting purposes.

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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Current year taxes		\$ 6,619,379	
Prior year taxes		126,572	
Penalties and interest		54,421	
Total	<u>\$ 6,662,028</u>	<u>6,800,372</u>	<u>\$ 138,344</u>
Local option sales taxes:			
Local option sales tax		2,153,906	
Total	<u>2,076,885</u>	<u>2,153,906</u>	<u>77,021</u>
Other taxes and licenses:			
Register of deeds - excise tax		49,440	
Cable franchise fees		3,826	
Total	<u>55,175</u>	<u>53,266</u>	<u>(1,909)</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes		881,743	
Total	<u>869,450</u>	<u>881,743</u>	<u>12,293</u>
Restricted intergovernmental:			
State grants		2,725,417	
Federal grants		630,264	
Local grants		20,101	
Court facility fees		293	
Scrap tire disposal fee		3,787	
Solid waste disposal tax		7,104	
Controlled substance tax		1,476	
White goods disposal fee		3,531	
Total	<u>3,733,362</u>	<u>3,391,973</u>	<u>(341,389)</u>
Other restricted revenues:			
Private grants & contributions		40,397	
Total	<u>71,060</u>	<u>40,397</u>	<u>(30,663)</u>
Permits and fees:			
Building permits		56,295	
Register of deeds		78,941	
Health department well permits		10,200	
Total	<u>149,500</u>	<u>145,436</u>	<u>(4,064)</u>
Sales and services:			
Rents, concessions, and fees		1,285,149	
Jail fees		11,177	
Ambulance fees		708,866	
Home health		24,469	
Tipping fees		61,847	
Recycling revenue		5,305	
Sheriff fees		31,962	
Total	<u>1,990,123</u>	<u>2,128,775</u>	<u>138,652</u>
Investment earnings:	<u>8,086</u>	<u>61,657</u>	<u>53,571</u>
Miscellaneous:	<u>335,453</u>	<u>130,073</u>	<u>(205,380)</u>
Total revenues	<u>15,951,122</u>	<u>15,787,598</u>	<u>(163,524)</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES			
General government:			
Governing body:			
Salaries and employee benefits		153,314	
Operating expenditures		297,891	
Contracted services		130,993	
Capital outlay		22,971	
Contingency fund		45,607	
Debt service:			
Principal retirement		17,057	
Total	<u>687,685</u>	<u>667,833</u>	<u>19,852</u>
Administration:			
Salaries and employee benefits		198,485	
Operating expenditures		115,588	
Insurance - general		274,688	
Contracted services		268	
Total	<u>596,758</u>	<u>589,029</u>	<u>7,729</u>
Board of elections:			
Salaries and employee benefits		112,069	
Operating expenditures		18,246	
Total	<u>172,583</u>	<u>130,315</u>	<u>42,268</u>
Finance:			
Salaries and employee benefits		109,390	
Operating expenditures		67,676	
Contracted services		7,871	
Capital outlay		64,699	
Total	<u>249,866</u>	<u>249,636</u>	<u>230</u>
Tax assessor:			
Salaries and employee benefits		88,362	
Operating expenditures		4,613	
Contracted services		35,365	
Total	<u>132,929</u>	<u>128,340</u>	<u>4,589</u>
Tax collector:			
Salaries and employee benefits		93,366	
Operating expenditures		11,571	
Total	<u>119,003</u>	<u>104,937</u>	<u>14,066</u>
Tax mapping:			
Salaries and employee benefits		43,566	
Operating expenditures		1,559	
Contracted services		18,385	
Total	<u>79,851</u>	<u>63,510</u>	<u>16,341</u>
Register of deeds:			
Salaries and employee benefits		100,493	
Operating expenditures		60,769	
Capital outlay		10,090	
Contracted services		33,335	
Total	<u>205,348</u>	<u>204,687</u>	<u>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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public buildings:			
Salaries and employee benefits		186,743	
Operating expenditures		171,965	
Capital outlay		19,939	
Contracted services		19,863	
Debt service:			
Principal retirement		193,723	
Interest and other charges		71,583	
Total	<u>706,112</u>	<u>663,816</u>	<u>42,296</u>
Vehicle maintenance:			
Salaries and employee benefits		40,090	
Operating expenditures		7,429	
Total	<u>58,141</u>	<u>47,519</u>	<u>10,622</u>
Computer support:			
Salaries and employee benefits		39,276	
Operating expenditures		13,550	
Capital outlay		23,014	
Contracted services		146,940	
Total	<u>260,221</u>	<u>222,780</u>	<u>37,441</u>
Grounds maintenance:			
Salaries and employee benefits		49,809	
Operating expenditures		4,432	
Total	<u>62,001</u>	<u>54,241</u>	<u>7,760</u>
Cemetery:			
Salaries and employee benefits		188,510	
Operating expenditures		20,041	
Capital outlay		47,157	
Total	<u>273,898</u>	<u>255,708</u>	<u>18,190</u>
Total general government	<u>3,604,396</u>	<u>3,382,351</u>	<u>222,045</u>
Public safety:			
Sheriff department:			
Salaries and employee benefits		1,078,289	
Operating expenditures		248,373	
Contracted services		14,539	
Capital outlay		155,786	
Total	<u>1,501,722</u>	<u>1,496,987</u>	<u>4,735</u>
Jail:			
Salaries and employee benefits		483,211	
Operating expenditures		246,366	
Capital outlay		12,169	
Contracted services		106,208	
Debt service:			
Principal retirement		4,353	
Total	<u>873,312</u>	<u>852,307</u>	<u>21,005</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Ambulance service:			
Salaries and employee benefits		810,696	
Operating expenditures		101,715	
Debt service:			
Principal retirement		22,862	
Interest and other charges		928	
Total	<u>1,125,103</u>	<u>936,201</u>	<u>188,902</u>
District court:			
Operating expenditures		3,359	
Capital outlay		4,821	
Debt service:			
Principal retirement		1,725	
Total	<u>10,450</u>	<u>9,905</u>	<u>545</u>
Emergency management:			
Salaries and employee benefits		72,645	
Operating expenditures		20,431	
Total	<u>95,571</u>	<u>93,076</u>	<u>2,495</u>
Communications:			
Salaries and employee benefits		436,252	
Operating expenditures		16,152	
Contracted services		13,192	
Total	<u>485,448</u>	<u>465,596</u>	<u>19,852</u>
Sanitation:			
Salaries and employee benefits		313,816	
Operating expenditures		248,228	
Capital outlay		6,615	
Tipping fees		183,096	
Debt service:			
Principal retirement		9,250	
Interest and other charges		15,815	
Total	<u>780,899</u>	<u>776,820</u>	<u>4,079</u>
EMS billing:			
Operating expenditures		57	
Contracted services		36,323	
Total	<u>37,600</u>	<u>36,380</u>	<u>1,220</u>
EBCI fuel (reimbursed expense)	<u>27,500</u>	<u>24,676</u>	<u>2,824</u>
USFS timber receipts or fire	<u>77,748</u>	<u>77,496</u>	<u>252</u>
Contribution to NC Forest Service	<u>46,500</u>	<u>46,344</u>	<u>156</u>
Contributions to rescue and fire	<u>139,250</u>	<u>139,204</u>	<u>46</u>
Total public safety	<u>5,201,103</u>	<u>4,954,992</u>	<u>246,111</u>
Economic development:			
County planner:			
Salaries and employee benefits		67,761	
Operating expenditures		4,130	
Total	<u>72,212</u>	<u>71,891</u>	<u>321</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Building inspector:			
Salaries and employee benefits		102,592	
Operating expenditures		6,681	
Total	<u>116,872</u>	<u>109,273</u>	<u>7,599</u>
Southwestern Commission	<u>6,195</u>	<u>6,195</u>	<u>-</u>
Total economic development	<u>292,279</u>	<u>187,359</u>	<u>104,920</u>
Human services:			
Health department:			
Communicable diseases:			
Salaries and employee benefits		20,363	
Operating expenditures		1,372	
Total		<u>21,735</u>	
Child health:			
Salaries and employee benefits		90,223	
Operating expenditures		65,674	
Total		<u>155,897</u>	
Maternal health:			
Salaries and employee benefits		17,471	
Total		<u>17,471</u>	
Pregnancy/Ob care management:			
Salaries and employee benefits		16,181	
Operating expenditures		200	
Total		<u>16,381</u>	
Hill Top health care clinic:			
Operating expenses		11,804	
Total		<u>11,804</u>	
TB:			
Salaries and employee benefits		2,160	
Operating expenditures		797	
Total		<u>2,957</u>	
Family planning:			
Salaries and employee benefits		61,472	
Operating expenditures		20,783	
Total		<u>82,255</u>	
Healthy communities:			
Salaries and employee benefits		37,353	
Operating expenditures		2,902	
Total		<u>40,255</u>	
Environmental health:			
Salaries and employee benefits		67,706	
Operating expenditures		28,369	
Capital outlay		26,254	
Total		<u>122,329</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
HIV/STD:			
Salaries and employee benefits		4,379	
Operating expenditures		993	
Total		<u>5,372</u>	
Breast cervical cancer prevention:			
Salaries and employee benefits		11,189	
Operating expenses		6,492	
Total		<u>17,681</u>	
Dental:			
Salaries and employee benefits		314,486	
Operating expenses		47,147	
Total		<u>361,633</u>	
Child service coordination:			
Salaries and employee benefits		14,710	
Operating expenses		500	
Total		<u>15,210</u>	
General health:			
Salaries and employee benefits		84,210	
Operating expenses		34,044	
Contracted services		4,965	
Total		<u>123,219</u>	
Immunization action plan IAP5.278:			
Salaries and employee benefits		4,893	
Operating expenses		100	
Total		<u>4,993</u>	
Smart Start:			
Salaries and employee benefits		20,573	
Operating expenses		980	
Total		<u>21,553</u>	
WIC:			
Salaries and employee benefits		66,852	
Operating expenses		965	
Total		<u>67,817</u>	
Health department food and lodging:			
Salaries and employee benefits		2,799	
Total		<u>2,799</u>	
Adult health:			
Salaries and employee benefits		93,288	
Operating expenses		91,114	
Total		<u>184,402</u>	
Bioterrorism Grant:			
Salaries and employee benefits		26,852	
Operating expenses		1,848	
Total		<u>28,700</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
CAP:			
Salaries and employee benefits		122,861	
Operating expenses		10,924	
Contracted services		3,380	
Total		<u>137,165</u>	
Total Health Department	<u>1,684,522</u>	<u>1,441,628</u>	<u>242,894</u>
Veterans service officer:			
Operating expenses		4,000	
Total veterans service officer	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Social services:			
Administration:			
Salaries and employee benefits		1,115,398	
Capital outlay		9,225	
Operating expenses		277,983	
Debt service:			
Principal retirement		2,200	
Total	<u>1,590,278</u>	<u>1,404,806</u>	<u>185,472</u>
Social service public assistance:			
Work first		101,001	
Foster care		254,721	
Special assistance		48,844	
Crisis intervention		115,675	
Foster care - clothing		5,000	
Total	<u>608,722</u>	<u>525,241</u>	<u>83,481</u>
Total social services	<u>2,199,000</u>	<u>1,930,047</u>	<u>268,953</u>
Senior citizens program:			
Administration:			
Salaries and employee benefits		156,357	
Operating expenses		149,851	
Contracted services		100,339	
Debt service:			
Principal retirement		8,271	
Interest and other charges		555	
Total senior citizens program	<u>429,120</u>	<u>415,373</u>	<u>13,747</u>
Transit:			
DOT transportation development grant			
Grant administrative expenditures:			
Salaries and employee benefits		118,715	
Operating expenditures		18,666	
Grant operating expenditures:			
Salaries and employee benefits		309,267	
Operating expenditures		110,203	
Capital outlay		121,105	
Total transit	<u>690,792</u>	<u>677,956</u>	<u>12,836</u>
Total human services	<u>5,007,434</u>	<u>4,469,004</u>	<u>538,430</u>
Cultural and recreational:			
4-H:			
Operating expenditures		2,341	
Total	<u>12,000</u>	<u>2,341</u>	<u>9,659</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Agriculture extension:			
Salaries and employee benefits		77,470	
Operating expenditures		8,481	
Total	<u>91,223</u>	<u>85,951</u>	<u>5,272</u>
Soil and water:			
Salaries and employee benefits		61,069	
Operating expenditures		6,536	
Total	<u>78,043</u>	<u>67,605</u>	<u>10,438</u>
Recreation:			
Salaries and employee benefits		86,137	
Operating expenditures		44,743	
Capital outlay		9,460	
Contracted services		13,295	
Total	<u>186,146</u>	<u>153,635</u>	<u>32,511</u>
Swimming pool:			
Salaries and employee benefits		24,768	
Operating expenditures		13,053	
Contracted services		490	
Total	<u>39,107</u>	<u>38,311</u>	<u>796</u>
Contributions to regional library	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Total cultural and recreation	<u>481,519</u>	<u>422,843</u>	<u>58,676</u>
Special appropriations:			
Education:			
Public schools - current	1,000,000	1,000,000	-
Public schools - capital outlay	15,000	15,000	-
Public schools - capital outlay lottery/ADM	73,344	-	73,344
Public schools - SRS USFS Timber	300,993	265,214	35,779
Debt service:			
School Bond - capital outlay	263,000	263,000	-
School Bond - capital outlay - interest	28,886	28,886	-
QZAB debt - capital outlay	84,394	84,394	-
Tri-County Community College	125,179	125,179	-
Total education	<u>1,890,796</u>	<u>1,781,673</u>	<u>109,123</u>
Special appropriations :			
Contributions:			
JCPC	64,745	64,595	150
Regional mental health	6,000	6,000	-
State of Franklin	4,000	4,000	-
Other special appropriations	76,700	71,700	5,000
Total special appropriations	<u>151,445</u>	<u>146,295</u>	<u>5,150</u>
Total expenditures	<u>16,628,972</u>	<u>15,344,517</u>	<u>1,284,455</u>
Revenues over expenditures	<u>(677,850)</u>	<u>443,081</u>	<u>1,120,931</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OTHER FINANCING SOURCES (USES)			
Transfers to other funds:			
Revaluation Fund	(10,000)	(10,000)	-
Capital Project Fund	(166,240)	-	166,240
Total net transfers	<u>(176,240)</u>	<u>(10,000)</u>	<u>166,240</u>
Capital lease obligations issued	<u>108,500</u>	<u>44,593</u>	<u>(63,907)</u>
Total other financing sources (uses)	<u>(67,740)</u>	<u>34,593</u>	<u>102,333</u>
Appropriated fund balance	<u>745,590</u>	<u>-</u>	<u>745,590</u>
Net change in fund balance	<u>\$ -</u>	<u>477,674</u>	<u>\$ 477,674</u>
Fund balance, beginning as previously reported		8,179,776	
Prior period adjustment		(994)	
Fund balance, beginning		<u>8,178,782</u>	
Fund balance, ending		<u>\$ 8,656,456</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Investment earnings	\$ -	\$ 217	\$ 217
EXPENDITURES			
General government:			
Other operating expenditures		3,685	
Contracted services		26,656	
Total expenditures	<u>31,650</u>	<u>30,341</u>	<u>1,309</u>
Revenues over (under) expenditures	<u>(31,650)</u>	<u>(30,124)</u>	<u>1,526</u>
OTHER FINANCING SOURCES (USES)			
Transfer from:			
General fund	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total other financing sources (uses)	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Appropriated fund balance	<u>21,650</u>	<u>-</u>	<u>(21,650)</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(20,124)</u>	<u>\$ (20,124)</u>
Fund balance, beginning		<u>224,444</u>	
Fund balance, ending		<u>\$ 204,320</u>	

Graham County, North Carolina
Graham County E911 Enhancement/Replacement Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2019

	Actual			Total to Date	Variance Positive (Negative)
	Project Authorization	Prior Year As Restated	Current Year		
REVENUES					
Restricted intergovernmental:					
North Carolina 911 Board	\$ 3,400,976	\$ 2,211,322	\$ 653,599	\$ 2,864,921	\$ (536,055)
Total revenues	<u>3,400,976</u>	<u>2,211,322</u>	<u>653,599</u>	<u>2,864,921</u>	<u>(536,055)</u>
EXPENDITURES					
Capital outlay:					
Public Safety:					
Construction	1,822,423	1,596,873	37,034	1,633,907	188,516
Technology	<u>1,578,553</u>	<u>614,449</u>	<u>616,565</u>	<u>1,231,014</u>	<u>347,539</u>
Total expenditures	<u>3,400,976</u>	<u>2,211,322</u>	<u>653,599</u>	<u>2,864,921</u>	<u>536,055</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

COMBINING STATEMENTS FOR NONMAJOR GOVERNMENTAL FUNDS

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

Graham County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue Funds			
	Emergency Telephone Special Revenue Fund	Economic Development Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS				
Restricted cash and cash equivalents	\$ 208,899	\$ 771,650	\$ 980,549	\$ 980,549
Accounts receivable, net	8,225	-	8,225	8,225
Due from other governments	493	-	493	493
Total assets	\$ 475,640	\$ 771,650	\$ 1,247,290	\$ 1,247,290
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Restricted:				
Stabilization by State Statute	266,741	-	266,741	266,741
Public safety	208,899	-	208,899	208,899
Economic and physical development	-	771,650	771,650	771,650
Unassigned	-	-	-	-
Total fund balances	475,640	771,650	1,247,290	1,247,290
Total liabilities, deferred inflows of resources, and fund balances	\$ 475,640	\$ 771,650	\$ 1,247,290	\$ 1,247,290

Graham County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	Emergency Telephone Special Revenue Fund	Economic Development Fund	
REVENUES			
Restricted intergovernmental revenues	\$ 98,705	\$ -	\$ 98,705
Investment earnings	295	771	1,066
Total revenues	<u>99,000</u>	<u>771</u>	<u>99,771</u>
EXPENDITURES			
Current:			
Public safety	33,958	-	33,958
Total expenditures	<u>33,958</u>	<u>-</u>	<u>33,958</u>
Excess (deficiency) of revenues over expenditures	<u>65,042</u>	<u>771</u>	<u>65,813</u>
Net change in fund balances	65,042	771	65,813
Fund balances, beginning as previously reported	302,872	770,879	1,073,751
Prior period adjustment	107,726	-	107,726
Fund balances, beginning as restated	<u>410,598</u>	<u>770,879</u>	<u>1,181,477</u>
Fund balances, ending	<u>\$ 475,640</u>	<u>\$ 771,650</u>	<u>\$ 1,247,290</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Restricted intergovernmental		\$ 98,705	
Investment earnings		295	
Total revenues	<u>\$ -</u>	<u>99,000</u>	<u>\$ 99,000</u>
EXPENDITURES			
Public safety	321,000	33,958	287,042
Total expenditures	<u>321,000</u>	<u>33,958</u>	<u>287,042</u>
Revenues over (under) expenditures	(321,000)	65,042	386,042
OTHER FINANCING SOURCES (USES)			
Transfer in from General Fund	-	-	-
Transfer out to General Fund	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Appropriated fund balance	<u>321,000</u>	<u>-</u>	<u>(321,000)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>65,042</u>	<u><u>\$ 65,042</u></u>
Fund balance, beginning as previously reported		302,872	
Prior period adjustment		107,726	
Fund balance, beginning as restated		<u>410,598</u>	
Fund balance, ending		<u><u>\$ 475,640</u></u>	

Graham County, North Carolina
Economic Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Investment earnings		\$ 771	
Total revenues	\$ -	771	\$ 771
EXPENDITURES			
Economic and physical development	757,000	-	757,000
Total expenditures	757,000	-	757,000
Revenues over (under) expenditures	(757,000)	771	757,771
OTHER FINANCING SOURCES (USES)			
Transfer in:			
General fund	-	-	-
Appropriated fund balance	757,000	-	(757,000)
Net change in fund balance	<u>\$ -</u>	771	<u>\$ 771</u>
Fund balance, beginning		770,879	
Fund balance, ending		<u>\$ 771,650</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.
- **Municipal Tax Fund** - This fund accounts for taxes that are billed and collected by the County for the Towns of Robbinsville, Santeetlah, and Fontana but are not revenues to the County.
- **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, 2019

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Social Services</u>				
Assets:				
Cash and cash equivalents	\$ 20,747	\$ 220,098	\$ 205,095	\$ 35,750
Liabilities:				
Miscellaneous liabilities	\$ 20,747	\$ 220,098	\$ 205,095	\$ 35,750
<u>Municipal Tax Fund</u>				
Assets:				
Cash and cash equivalents	\$ 4,892	\$ 551,411	\$ 553,464	\$ 2,839
Liabilities:				
Due to Town of Robbinsville	\$ 4,388	\$ 358,078	\$ 360,125	\$ 2,341
Due to Town of Santeetlah	504	191,613	191,619	498
Due to Town of Fontana Dam	-	1,720	1,720	-
	<u>\$ 4,892</u>	<u>\$ 551,411</u>	<u>\$ 553,464</u>	<u>\$ 2,839</u>
<u>4-H Club</u>				
Assets:				
Cash and cash equivalents	\$ 4,406	\$ 10,316	\$ 9,486	\$ 5,236
Liabilities:				
Miscellaneous liabilities	\$ 4,406	\$ 10,316	\$ 9,486	\$ 5,236
<u>Deed of Trust Fee Fund</u>				
Assets:				
Cash and cash equivalents	\$ 849	\$ 9,437	\$ 9,654	\$ 632
Liabilities:				
Intergovernmental payable - State of North Carolina	\$ 849	\$ 9,437	\$ 9,654	\$ 632
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 30,894	\$ 791,262	\$ 777,699	\$ 44,457
Liabilities:				
Miscellaneous liabilities	\$ 25,153	\$ 230,414	\$ 214,581	\$ 40,986
Due to Town of Robbinsville	4,388	358,078	360,125	2,341
Due to Town of Santeetlah	504	191,613	191,619	498
Due to Town of Fontana Dam	-	1,720	1,720	-
Intergovernmental payable - State of North Carolina	849	9,437	9,654	632
Total liabilities	<u>\$ 30,894</u>	<u>\$ 791,262</u>	<u>\$ 777,699</u>	<u>\$ 44,457</u>

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

Graham County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 6,808,754	\$ 6,614,267	\$ 194,487
2017-2018	175,051	-	85,629	89,422
2016-2017	92,736	-	26,611	66,125
2015-2016	58,103	-	8,152	49,951
2014-2015	41,008	-	5,313	35,695
2013-2014	23,645	-	3,025	20,620
2012-2013	24,543	-	2,783	21,760
2011-2012	16,576	-	2,012	14,564
2010-2011	17,846	-	694	17,152
2009-2010	14,574	-	389	14,185
2008-2009	15,611	-	15,611	-
	<u>\$ 479,693</u>	<u>\$ 6,808,754</u>	<u>\$ 6,764,486</u>	523,961
Less: allowance for uncollectible accounts:				
General Fund				<u>228,663</u>
Ad valorem taxes receivable - net:				
General Fund				<u>\$ 295,298</u>
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General fund				
Taxes collected				\$ 6,745,951
Penalties and interest				<u>54,421</u>
				6,800,372
Reconciling items:				
Garnishment fees				(6,936)
Taxes written off				15,362
Less: interest collected				(43,698)
Other adjustments				<u>(614)</u>
Total reconciling items				<u>(35,886)</u>
Total collections and credits				<u>\$ 6,764,486</u>

Graham County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2019

	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	\$ 1,129,066,838	0.585	\$ 6,605,041	\$ 6,109,878	\$ 495,163
Motor vehicles taxed at prior year's rate	-	0.585	-	-	-
Penalties	-		-	-	-
Total	1,129,066,838		6,605,041	6,109,878	495,163
Discoveries:					
Current year taxes	43,202,906	0.585	252,737	252,737	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Total	43,202,906		252,737	252,737	-
Abatements	(8,380,171)		(49,024)	(49,024)	-
Total property valuation	\$ 1,163,889,573				
Net levy			6,808,754	6,313,591	495,163
Uncollected taxes at June 30, 2019			(194,487)	(194,487)	-
Current year's taxes collected			\$ 6,614,267	\$ 6,119,104	\$ 495,163
Current levy collection percentage			97.14%	96.92%	100.00%

Secondary Market Disclosures:

Assessed valuation:				
Assessment ratio ¹				100%
Real property			\$	1,092,026,800
Personal property				35,853,417
Public service companies ²				36,009,356
Total assessed valuation			\$	1,163,889,573
Tax rate per \$100				0.585
Levy (includes discoveries, releases and abatements) ³			\$	6,808,754

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, 2019**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Brookfield Smoky Mountain	Commercial	\$ 205,503,871	17.66%
Duke Energy	Utility	40,795,582	3.51%
Cody Family and Heirs	Commercial/Residential	6,911,860	0.59%
MSK Hospitality LLC	Commercial	2,954,609	0.25%
Britthaven Inc.	Commercial	2,365,330	0.20%
Iron Horse Motorcycle Lodge	Commercial	2,237,840	0.19%
State Employees Credit Union	Commercial	2,073,150	0.18%
Snowbird Motorcycle Lodge	Commercial	2,065,190	0.18%
Martha Ann Parks	Commercial	1,807,670	0.16%
Mainspring Conservation Trust	Conservation Trust	1,713,050	0.15%
Total		<u>\$ 268,428,152</u>	<u>23.06%</u>

COMPLIANCE SECTION

Turner & Company CPAs 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, 2019, and the related notes to the financial statements, which collectively comprises Graham County's basic financial statements, and have issued our report thereon dated January 30, 2020. The financial statements of the Tourism Development Authority and the Rural Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 from 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina
January 30, 2020

Turner & Company CPAs P.A.

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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

To the Board of Commissioners
Graham County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Graham County, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Graham County's major federal programs for the year ended June 30, 2019. 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 Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Programs

In our opinion, Graham County complied, in all material aspects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.

Murphy, North Carolina

January 30, 2020

Turner & Company CPAs P.A.

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

Independent Auditors' Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act

To the Board of Commissioners
Graham County, North Carolina

Report on Compliance for Each Major State Program

We have audited Graham County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Graham County's major state programs for the year ended June 30, 2019. 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, Graham County complied, in all material aspects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.

Murphy, North Carolina

January 30, 2020

**Graham County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019**

Section I - Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
 - Significant Deficiency(s)? ___ yes X none reported
- Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

Names of Federal Program or Cluster	CFDA No(s).
Medical Assistance Program (Title XIX – Medicaid)	93.778
Child Support Enforcement	93.563

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

Auditee qualified as low-risk auditee X yes ___ no

State Awards

Internal control over major state programs:

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

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

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

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

Program Name

911 Relocation and Refreshment Project Grant

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.



Graham County Board of County Commissioners

*12 North Main Street
Robbinsville, NC 28771*

*Dale Wiggins
Chairman*

*Lynn Cody
Vice-Chairman*

*Keith Eller
Member*

*Phone: 828-479-7961
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*Jacob Nelms
Member*

*Connie Orr
Member*

*Rebecca E. Garland, MPA, CPA
County Manager*

*Kim Crisp
Clerk*

**Corrective Action Plan
For the Fiscal Year Ended June 30, 2019**

II. Financial Statement Findings

No findings.

Section III. Federal Award Findings and Questioned Costs

No findings.

Section IV. State Award Findings and Questioned Costs

No findings.



Dale Wiggins
Chairman

Keith Eller
Member

Connie Orr
Member

Graham County Board of County Commissioners

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County Manager

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Vice-Chairman

Jacob Nelms
Member

Kim Crisp
Clerk

Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2019

Finding 2018-001

Status: Corrected

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
Federal Awards:						
<u>U.S. Department of Agriculture</u>						
Passed-through the N.C. Department of Health and Human Services:						
Division of Social Services:						
Administration:						
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	XXXX	\$ 108,625	\$ -	\$ -	\$ 108,625
Passed-through the N.C. Department of Health and Human Services:						
Division of Public Health:						
Administration:						
Special Supplemental Nutrition Program for Women, Infants, & Children (Note 5)	10.557	XXXX	58,603	-	-	-
Total U.S. Department of Agriculture			167,228	-	-	108,625
<u>U.S. Department of Transportation</u>						
Passed-through the N.C. Department of Transportation:						
Formula Grants for Other than Urbanized Areas - Capital	20.509	XXXX	82,048	10,256	-	-
Formula Grants for Other than Urbanized Areas - Administration	20.509	XXXX	111,004	6,498	-	-
<u>Transit Services Programs Cluster:</u>						
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	XXXX	72,390	9,048	-	-
Total Transit Services Programs Cluster			72,390	9,048	-	-
Total U.S. Department of Transportation			265,442	25,802	-	-
<u>U. S. Department of Homeland Security</u>						
Passed-through N.C. Department of Public Safety:						
Hazard Mitigation Grant Program	97.039	XXXX	41,463	-	-	-
Total U. S. Department of Homeland Security			41,463	-	-	-
<u>U.S. Department of Health & Human Services</u>						
<u>Administration on Aging</u>						
Passed-through Southwestern Commission Council of Governments:						
Division of Aging and Adult Services:						
<u>Aging Cluster:</u>						
Special Programs for the Aging - Title III C						
Nutrition Services	93.045	XXXX	122,539	8,753	-	14,588
Nutrition Services Incentive Program	93.053	XXXX	11,950	-	-	-
Total Aging Cluster			134,489	8,753	-	14,588
Passed-through the N.C. Department of Health and Human Services:						
Division of Social Services:						
<u>Temporary Assistance for Needy Families (TANF) Cluster</u>						
Temporary Assistance for Needy Families (TANF) Cluster	93.558	XXXX	5,391	1,348	-	-
TANF - Work First	93.558	XXXX	164,475	-	-	32,216
Total TANF Cluster			169,866	1,348	-	32,216
<u>Foster Care and Adoption Cluster (Note 4 & 5)</u>						
Foster Care - Title IV-E	93.658	XXXX	129,035	3,459	-	125,117
Adoption Assistance	93.659	XXXX	7,889	-	-	7,539
Total Foster Care and Adoption Cluster (Note 4)			136,924	3,459	-	132,656
Promoting Safe and Stable Families	93.556	XXXX	4,281	-	-	-
Child Support Enforcement	93.563	XXXX	76,500	-	-	39,409
Low-Income Home Energy Assistance:						
Administration						
Energy Assistance Payments	93.568	XXXX	10,315	-	-	-
Energy Assistance Payments	93.568	XXXX	60,600	-	-	-
Crisis Intervention Program	93.568	XXXX	44,064	-	-	-
Total Low-Income Home Energy Assistance			114,979	-	-	-

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Stephanie Tubbs Jones Child Welfare Services Program:						
Permanency Planning - Families for Kids	93.645	XXXX	2,249	-	-	750
Total Stephanie Tubbs Jones Child Welfare Services Program			2,249	-	-	750
SSBG - Other Service and Training						
SSBG - Other Service and Training	93.667	XXXX	91,031	-	-	18,157
Division of Aging and Adult Services:						
Division of Social Services:						
SSBG - State In Home Service Fund	93.667	XXXX	13,499	-	-	4,500
Total Social Service Block Grant			104,530	-	-	22,657
Division of Child Development and Early Education:						
Subsidized Child Care (Note 5)						
Child Care Development Fund Cluster:						
Division of Social Services:						
Child Care Development Mandatory and Match Fund -						
Administration	93.596	XXXX	73,333	-	-	-
Total Subsidized Child Care (Note 5)			73,333	-	-	-
Passed-through the N.C. Department of Health and Human Services:						
Division of Health Benefits:						
Division of Social Services:						
Administration:						
Medical Assistance Program (Note 5)	93.778	XXXX	358,279	-	-	137,258
Total Medical Assistance Program			358,279	-	-	137,258
Division of Social Services:						
Administration:						
Children's Health Insurance Program - N.C. Health Choice (Note 5)	93.767	XXXX	13,969	-	-	-
Total Children's Health Insurance Program - N.C. Health Choice			13,969	-	-	-
Passed-through the N.C. Department of Health and Human Services:						
Division of Public Health:						
Hospital Preparedness Program (HPP) and Public Health						
Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	XXXX	22,277	-	-	-
Project Grants and Cooperative Agreements						
for Tuberculosis Control Programs	93.116	XXXX	50	-	-	-
Immunization Cooperative Agreements	93.268	XXXX	3,159	-	-	-
Family Planning Services	93.217	XXXX	18,801	-	-	-
Teenage Pregnancy Prevention Program	93.297	XXXX	8,157	-	-	-
Temporary Assistance for Needy Families	93.558	XXXX	782	-	-	-
Preventive Health and Health Services Block Grant						
funded solely with Prevention and Public						
Health Funds (PPHF)	93.758	XXXX	37,849	-	-	-
Cancer Prevention and Control Programs for State,						
Territorial and Tribal Organizations	93.898	XXXX	2,295	-	-	-
Maternal and Child Health Services Block Grant	93.994	XXXX	35,232	871	-	-
Total U.S. Department of Health and Human Services			1,318,001	14,431	-	379,534
Total federal awards			1,792,134	40,233	-	488,159
State Awards:						
<u>N.C. Department of Administration</u>						
Veterans Service		XXXX	-	2,000	-	2,000
Total N.C. Department of Administration			-	2,000	-	2,000
<u>N.C. Department of Environmental Quality</u>						
Division of Waste Management						
Scrap Tire Program		XXXX	-	3,787	-	-
Total N.C. Department of Environmental Quality			-	3,787	-	-

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<u>N.C. Department of Health and Human Services</u>						
Division of Aging and Adult Services						
Division of Social Services						
State Foster Home		XXXX	-	9,744	-	9,744
State Child Welfare/CPS/CS LD		XXXX	-	10,939	-	-
SFHF Maximization		XXXX	-	44,296	-	44,296
County Funded Service		XXXX	-	-	-	190,223
Total Division of Social Service			-	64,979	-	244,263
Division of Public Health						
Food and Lodging Fees		XXXX	-	3,601	-	-
CHA/CHIP Peer Review		XXXX	-	75,101	-	-
General Communicable Disease Control		XXXX	-	11,336	-	-
Child Health		XXXX	-	6,326	-	-
HIV/STD - State		XXXX	-	500	-	-
STD Drugs		XXXX	-	1	-	-
Breast and Cervical Cancer Control		XXXX	-	3,825	-	-
School Nurse Funding Initiative		XXXX	-	49,373	-	-
Family Planning		XXXX	-	9,972	-	-
Maternal Health		XXXX	-	7,656	-	-
Women's Health Service Fund		XXXX	-	899	-	-
TB Control		XXXX	-	1,260	-	-
Total Division of Public Health			-	169,850	-	-
Total N. C. Department of Health and Human Services			-	234,829	-	244,263
<u>N.C. Department of Information Technology</u>						
911 Relocation and Refreshment Project Grant		XXXX	-	653,599	-	-
Total N.C. Department of Information Technology			-	653,599	-	-
<u>NC Department of Public Safety</u>						
Division of Emergency Management						
Emergency Management Performance Grant		XXXX	-	41,463	-	-
Division of Juvenile Justice and Delinquency Prevention						
Juvenile Crime Prevention Programs		XXXX	-	59,213	59,213	5,382
Total NC Department of Public Safety			-	100,676	59,213	5,382
<u>N.C. Department of Transportation</u>						
Rural Operating Assistance Program (ROAP)						
- ROAP Elderly and Disabled Transportation Assistance Program		XXXX	-	48,203	-	-
- ROAP Rural General Public Program		XXXX	-	45,027	-	-
- ROAP Work First Transitional - Employment		XXXX	-	5,044	-	-
Total ROAP Cluster			-	98,274	-	-
Total State awards			-	1,093,165	59,213	251,645
Total federal and State awards			\$ 1,792,134	\$ 1,133,398	\$ 59,213	\$ 739,804

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Graham County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Graham County, it is not intended to and does not present the financial position, changes in net position or cash flows of Graham County.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

Graham County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 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: Foster Care and Adoption.

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For the Year Ended June 30, 2019

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Note 5: Benefit Payments Issued by the State

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

<u>Program Title</u>	<u>CFDA No.</u>	<u>Federal</u>	<u>State</u>
Special Supplemental Nutrition Program for Women Infant and Children	10.557	165,359	-
Supplemental Nutrition Assistance Program	10.551	1,361,252	-
Temporary Assistance for Needy Families	93.558	53,700	-
Adoption Assistance	93.659	112,502	34,230
Child Care and Development Block Grant			
Child Care and Development Fund Mandatory/Match			
Foster Care - Title IV-E	93.658	51,192	11,363
Medical Assistance Program	93.778	13,413,521	6,925,581
Children's Health Insurance Program	93.767	354,972	-
Child Welfare Services Adoption		-	50,122
State / County Special Assistance program (Domiciliary Care)		-	59,794
Special Assistance Aged / Special Assistance Disabled (SAA/SAD HB 1030)		-	1,411