

Graham County, North Carolina
Financial Statements
June 30, 2018

Turner & Company CPAs P.A.

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

Graham County, North Carolina
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INTRODUCTORY INFORMATION

Graham County, North Carolina

List of Principal Officials

June 30, 2018

BOARD OF COUNTY COMMISSIONERS

Keith Eller, Chairman

Connie Orr, Vice Chairman

Jacob Nelms, Commissioner

Raymond Williams, Commissioner

Dale Wiggins, Commissioner

COUNTY OFFICIALS

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

Kim Crisp - Clerk to the Board

Carolyn Stewart - Register of Deeds

Erma Phillips - Tax Assessor

Tajuana Ledwell - Tax Collector

Danny Millsaps - Sheriff

J.K. Coward, Jr. - County Attorney

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, 2018, 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, 2018, 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 and County Contributions, pages 49 and 50, the Register of Deeds' Supplemental Pension Fund schedules of the County's Proportionate Share of the Net Pension Asset and County Contributions on pages 51 and 52, 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 53 and 54 be presented to supplement the basic financial statements.

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

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018 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

December 11, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Graham County, North Carolina
Management's Discussion and Analysis
June 30, 2018

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, 2018. 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

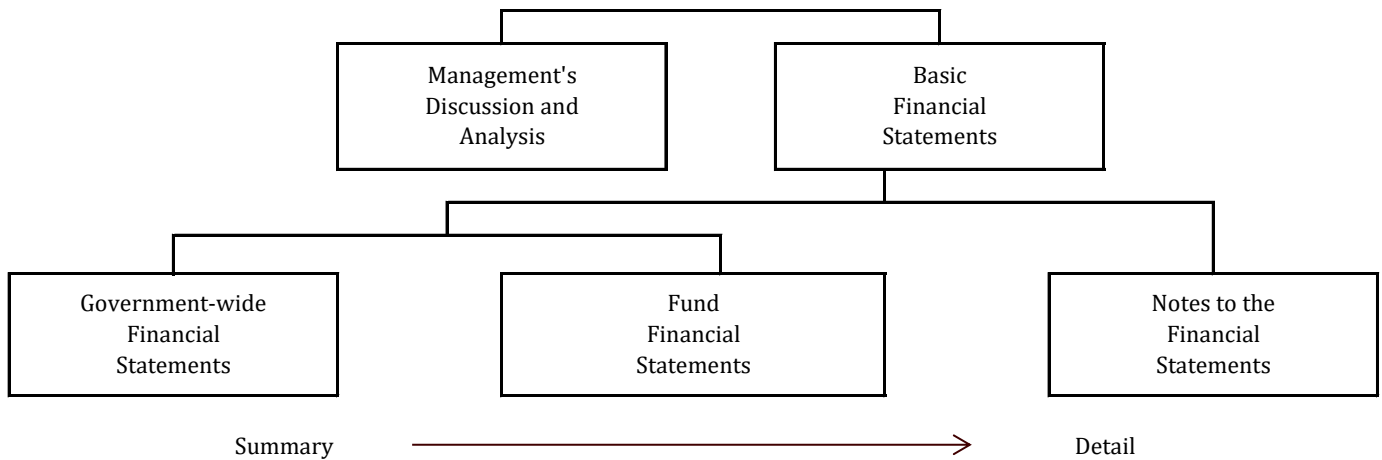
- The assets and deferred outflows of resources of Graham County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$20,673,109 (net position).
- The government's total net position increased by \$2,923,433.
- As of the close of the current fiscal year, Graham County's governmental funds reported combined ending fund balances of \$10,904,822, after a net decrease in fund balance of \$879,188, primarily due to expenditures on the Phillips and Jordan Building Capital Project Fund. Approximately 47.48 percent of this total amount, or \$5,177,322, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,168,649, or 43.49 percent of total general fund expenditures for the fiscal year.
- Graham County's total debt decreased by \$1,275,585 (19.93%) during the current fiscal year. The County incurred only one additional capital lease for CISCO switches. 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 non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

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

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

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

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

The Graham County Rural Development Authority (RDA) was created to 1) develop recreational facilities, 2) develop agricultural and forestry related processing and marketing facilities operated for public use, 3) to install, improve, or maintain facilities contributing to economic development or conservation of natural resources, and 4) provide safe and sanitary low cost housing. RDA is governed by a 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 48 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 \$20,673,109 as of June 30, 2018. The County's net position increased by \$2,923,433 for the fiscal year ended June 30, 2018. One of the largest portions \$13,622,182 (65.89%) 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 \$4,386,770 (21.22%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,664,157 is unrestricted.

Graham County, North Carolina's Net Position
Figure 2

	Governmental Activities	
	2018	2017
Current and other assets	\$ 12,084,212	\$ 12,754,004
Capital assets	15,302,496	12,695,044
Deferred outflows of resources	928,273	1,525,627
Total assets and deferred outflows of resources	<u>28,314,981</u>	<u>26,974,675</u>
Long-term liabilities outstanding	5,963,668	7,597,189
Other liabilities	1,410,208	1,425,675
Deferred inflows of resources	267,996	201,660
Total liabilities and deferred inflows of resources	<u>7,641,872</u>	<u>9,224,524</u>
Net position:		
Net investment in capital assets	13,622,182	11,432,972
Restricted	4,386,770	5,599,177
Unrestricted	2,664,157	718,002
Total net position	<u>\$ 20,673,109</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 97.41%, lower than the statewide average of 98.92%, and slightly higher than the county average of 97.09% for counties with populations of 24,999 and below. The percentage collection rate increased slightly due to increased vigilance on the part of the Tax Collector to collect taxes in a timely manner.
- Continued pay down of debt balances positively influenced net position.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget.

Graham County, North Carolina's Changes in Net Position

Figure 3

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 2,123,318	\$ 2,150,126
Operating grants and contributions	2,795,699	3,325,077
Capital grants and contributions	1,674,201	738,465
General revenues:		
Property taxes	6,799,770	6,252,096
Other taxes	2,107,475	2,414,588
Grants and contributions not restricted to specific programs	834,638	976,744
Investment earnings, unrestricted	34,962	9,661
Other	43,624	86,613
Total revenues	<u>16,413,687</u>	<u>15,953,370</u>
Expenses:		
General government	2,936,302	3,070,390
Public safety	4,419,957	4,476,771
Economic and physical development	247,292	264,923
Human services	4,188,270	4,638,075
Cultural and recreational	467,320	465,102
Education	1,079,737	632,169
Interest on long-term debt	151,376	102,530
Total expenses	<u>13,490,254</u>	<u>13,649,960</u>
Change in net position after transfers and special item	2,923,433	2,303,410
Net position, beginning previously reported	17,750,151	15,483,971
Net position, beginning, restated	<u>17,749,676</u>	<u>15,446,741</u>
Net position, ending	<u>\$ 20,673,109</u>	<u>\$ 17,750,151</u>

Governmental activities. Governmental activities increased the County's net position by \$2,923,433. Key elements of this increase are as follows:

- Maintenance of the County's high tax collection rate of 97.41%.
- The \$935,736 increase in capital grants and contributions was primarily due to funds received from the North Carolina 911 Board for work on the Graham County E911 Enhancement/Replacement Capital Project Fund .
- Total expenditures decreased somewhat due to a decrease in various expenses of the Health Department and a decrease in capital outlay expenditures for the construction expenditures related to General Government.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of Graham County. At the end of the current fiscal year, Graham County's fund balance available in the General Fund was \$7,195,235 while total fund balance reached \$8,404,220. 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 50.86% of general fund expenditures (as adjusted), while total fund balance represents 59.41% of that same amount.

At June 30, 2018, the governmental funds of Graham County reported a combined fund balance of \$10,904,822, a 7.46% decrease over last year. The primary reason for this decrease was attributed to the \$1,286,368 in expenditures of the Phillips and Jordan Building Capital Project Fund .

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 \$867,664. 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, 2018, total \$15,302,496 (net of accumulated depreciation). These assets include land, construction in progress, buildings, equipment, and vehicles.

Major capital asset transactions during the year included:

- Renovated the P&J building for a cost of \$1,471,917.
- Purchased medical equipment furniture for \$21,160.
- Purchased DSS furniture for \$15,285.
- Acquired a lease for Cisco switches for \$35,890.
- Purchased a 911 generator for \$53,000.
- Purchased a 911 telephone system for \$100,842.
- Made improvements to the new sanitation location for \$17,953.
- Purchased two 2018 Ford Explorer Police Interceptor for \$32,414 each.
- Purchased a 2018 Chevrolet ambulance for \$125,417.

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

Figure 4

Governmental Activities:	2018	2017
Land	\$ 1,798,099	\$ 1,798,099
Construction in progress	2,149,237	729,177
Buildings	8,768,790	7,539,602
Other improvements	898,505	930,418
Equipment and furniture	790,506	726,677
Vehicles	897,359	971,071
Total	\$ 15,302,496	\$ 12,695,044

Construction commitments

The County has the following active construction projects as of June 30, 2018:

Project	Spent-to-date	Remaining Commitment
Graham County Park	\$ 44,648	\$ -
Graham County E911 Enhancement/Replacement	1,605,608	1,296,387
Total	\$ 1,650,256	\$ 1,296,387

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

Long-Term Obligations. Debt totals include general obligation bonds, revenue bonds, installment financings, capital leases, certificates of participation and bond anticipation notes. As of June 30, 2018, Graham County had total debt outstanding of \$5,124,358. The entire debt is backed by the full faith and credit of the County. Compensated absences and unpaid pension related debt are included in the total long-term obligations.

Graham County, North Carolina's Long-Term Obligations

Figure 5

Governmental Activities:	<u>2018</u>	<u>2017</u>
General obligation debt	\$ 1,313,000	\$ 1,571,000
Capitalized leases	25,804	4,869
Installment notes payable	<u>3,785,554</u>	<u>4,824,074</u>
Total debt outstanding	<u>5,124,358</u>	<u>6,399,943</u>
Compensated absences	320,034	344,682
Net pension liability (LGRS)	1,056,881	1,613,401
Total pension liability (LEOSSA)	<u>53,279</u>	<u>54,874</u>
Total long-term obligations	<u>\$ 6,554,552</u>	<u>\$ 8,412,900</u>

Graham County's total debt decreased by \$1,275,585 (19.93%) during the current fiscal year. The County incurred only one additional capital lease for CISCO switches. 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, 2018 the County had debt outstanding of \$1,918,277 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 \$87,186,493.

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

Economic Factors and Next Year's Budgets and Rates

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

- The County budgeted a projected increase in property taxes (benefiting from the economic growth) and sales tax revenues. The County will use these increases in revenues to finance programs currently in place.
- County leaders also have continued with stringent controls over spending to help maintain reserves during the current state of the economy.
- The current unemployment rate for Graham County is 6.2% as of June 2018, which is significantly higher than the state average of 4.2 percent.

Budget Highlights for the Fiscal Year Ending June 30, 2019

The property tax rate was maintained at \$.585 to sustain current tax revenue streams. The County did appropriate \$577,951 in fund balance for the fiscal year 2019 budget. To alleviate any deficit in revenues the County continues to monitor strict spending policies. Staff levels are maintained at levels lower than pre-recession employment in order to curtail spending. Management believes the expected future growth will generate enough revenue to support the County's operations.

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

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Graham County, 12 North Main Street, Robbinsville, NC 29771. You can also call (828)-479-7961, visit our website www.grahamcounty.org 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, 2018

Exhibit 1

	Primary Government	Component Units	
	Governmental Activities	Travel and Tourism Authority	Rural Development Authority
ASSETS			
Cash and cash equivalents	\$ 7,534,864	\$ 402,782	\$ 69,457
Restricted cash and cash equivalents	1,640,725	28,404	-
Restricted investments	1,525,767		-
Receivables, net	817,658	33,382	-
Due from other governments	543,274	1,347	120,000
Due from component unit	10,081	-	-
Assets held for resale	-	-	11,558
Net pension asset	11,843	-	-
Capital assets:			
Land, improvements, and construction in progress	5,419,253	-	148,887
Other capital assets, net of depreciation	9,883,243	-	-
Total capital assets	<u>15,302,496</u>	<u>-</u>	<u>148,887</u>
Total assets	<u>27,386,708</u>	<u>465,915</u>	<u>349,902</u>
DEFERRED OUTFLOWS OF RESOURCES	928,273	-	-
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	737,809	14,201	-
Accrued interest payable	36,205	-	-
Due to primary government	-	10,081	-
Unearned revenue	45,310	-	-
Current portion of long-term liabilities	590,884	-	134,467
Total current liabilities:	<u>1,410,208</u>	<u>24,282</u>	<u>134,467</u>
Long-term liabilities:			
Due in more than one year	5,963,668	-	-
Total long-term liabilities:	<u>5,963,668</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>7,373,876</u>	<u>24,282</u>	<u>134,467</u>
DEFERRED INFLOWS OF RESOURCES	267,996	-	-
NET POSITION			
Net investment in capital assets	13,622,182	-	14,420
Restricted for:			
Capital Projects	1,426,851	-	-
Debt Service	7,102	-	-
Law Enforcement	59,214	-	-
Public Safety	302,474	-	-
Economic Development	817,834	-	-
Register of Deeds	51,406	-	-
Stabilization by State Statute	1,650,532	34,729	118,003
Register of Deeds Pension Plan	11,843	-	-
Courts	6,369	-	-
Human Services	53,145	-	-
Unrestricted	2,664,157	406,904	83,012
Total net position	<u>\$ 20,673,109</u>	<u>\$ 441,633</u>	<u>\$ 215,435</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, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Total	Travel and Tourism Authority	Rural Development Authority
Primary government:								
Governmental Activities:								
General government	\$ 2,936,302	\$ 171,892	\$ -	\$ -	\$ (2,764,410)	\$ (2,764,410)	\$ -	\$ -
Public safety	4,419,957	971,625	143,926	1,605,608	(1,698,798)	(1,698,798)	-	-
Economic and physical development	247,292	6,120	-	-	(241,172)	(241,172)	-	-
Human services	4,188,270	910,935	2,588,327	-	(689,008)	(689,008)	-	-
Cultural and recreation	467,320	62,746	18,677	-	(385,897)	(385,897)	-	-
Education	1,079,737	-	44,769	68,593	(966,375)	(966,375)	-	-
Interest on long-term debt	151,376	-	-	-	(151,376)	(151,376)	-	-
Total governmental activities	<u>\$ 13,490,254</u>	<u>\$ 2,123,318</u>	<u>\$ 2,795,699</u>	<u>\$ 1,674,201</u>	<u>(6,897,036)</u>	<u>(6,897,036)</u>	<u>-</u>	<u>-</u>
Component units:								
Travel and Tourism Authority	\$ 164,995	\$ -	\$ -	\$ -			\$ (164,995)	\$ -
Rural Development Authority	7,143	-	-	-			-	(7,143)
Total component units	<u>\$ 172,138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>(164,995)</u>	<u>(7,143)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					6,799,770	6,799,770	-	-
Local option sales tax					2,052,747	2,052,747	-	-
Other taxes and licenses					54,728	54,728	259,922	-
Grants and contributions not restricted to specific programs					834,638	834,638	-	-
Investment earnings, unrestricted					34,962	34,962	393	97
Miscellaneous, unrestricted					43,624	43,624	7,375	-
Total general revenues excluding transfers and special items					<u>9,820,469</u>	<u>9,820,469</u>	<u>267,690</u>	<u>97</u>
Change in net position					<u>2,923,433</u>	<u>2,923,433</u>	<u>102,695</u>	<u>(7,046)</u>
Net position, beginning previously reported					17,750,151	17,750,151	-	221,981
Prior period adjustment/restatement					(475)	(475)	-	500
Net position, beginning as restated					<u>17,749,676</u>	<u>17,749,676</u>	<u>-</u>	<u>222,481</u>
Net position, ending					<u>\$ 20,673,109</u>	<u>\$ 20,673,109</u>	<u>\$ 102,695</u>	<u>\$ 215,435</u>

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

Graham County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2018

Exhibit 3

	Major				Total Non-Major 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	\$ 7,534,864	\$ -	\$ -	\$ -	\$ -	\$ 7,534,864
Restricted cash and cash equivalents	520,841	-	-	1,119,884	-	1,640,725
Restricted investments	-	1,525,767	-	-	-	1,525,767
Receivables, net						
Taxes	251,030	-	-	-	-	251,030
Accounts	103,852	-	441,149	355	-	545,356
Due from other governments	543,231	-	-	43	-	543,274
Due from other funds	551,821	-	-	-	-	551,821
Due from component unit	10,081	-	-	-	-	10,081
Total assets	\$ 9,515,720	\$ 1,525,767	\$ 441,149	\$ 1,120,282	\$ -	\$ 12,602,918
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 703,034	\$ -	\$ -	\$ 34,775	\$ -	\$ 737,809
Due to other funds	-	98,916	441,149	11,756	-	551,821
Unearned revenue	45,310	-	-	-	-	45,310
Total liabilities	748,344	98,916	441,149	46,531	-	1,334,940
DEFERRED INFLOWS OF RESOURCES						
Property taxes receivable	251,030	-	-	-	-	251,030
Unearned revenue	112,126	-	-	-	-	112,126
Total deferred inflows of resources	363,156	-	-	-	-	363,156
Fund balances:						
Restricted:						
Register of deeds	51,406	-	-	-	-	51,406
Stabilization by state statute	1,208,985	-	441,149	398	-	1,650,532
Capital projects	-	1,426,851	-	-	-	1,426,851
Human services	53,145	-	-	-	-	53,145
Law enforcement	59,214	-	-	-	-	59,214
Public safety	-	-	-	302,474	-	302,474
Economic development	46,955	-	-	770,879	-	817,834
Courts	6,369	-	-	-	-	6,369
USDA reserve	7,102	-	-	-	-	7,102
Committed:						
Tax revaluation	224,444	-	-	-	-	224,444
Assigned						
Subsequent year's expenditures	577,951	-	-	-	-	577,951
Unassigned:	6,168,649	-	(441,149)	-	-	5,727,500
Total fund balances	8,404,220	1,426,851	-	1,073,751	-	10,904,822
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,515,720	\$ 1,525,767	\$ 441,149	\$ 1,120,282	\$ -	\$ 12,602,918

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

Graham County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2018

Exhibit 3

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

Total Fund Balance, Governmental Funds	10,904,822
Charges related to advance refunding bond issue	25,120
Interest receivable accrued on property taxes are not current financial resources and therefore are not reported in the funds	21,272
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	15,302,496
Net pension asset	11,843
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	298,172
Net pension liability	(1,056,881)
Total pension liability	(53,279)
Deferred inflows of resources for taxes	251,030
Pension related deferrals	449,111
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	(36,205)
Long-term obligations	(5,444,392)
Net position of governmental activities	\$ 20,673,109

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, 2018

Exhibit 4

	Major			Total Non-Major 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	\$ 6,815,359	\$ -	\$ -	\$ -	\$ 6,815,359
Local option sales taxes	2,052,747	-	-	-	2,052,747
Other taxes and licenses	54,728	-	-	-	54,728
Unrestricted intergovernmental	834,638	-	-	-	834,638
Restricted intergovernmental	2,843,626	-	1,605,608	4,256	4,453,490
Other restricted revenue	16,746	-	-	-	16,746
Permits and fees	157,288	-	-	-	157,288
Sales and services	1,965,694	25,147	-	-	1,990,841
Investment earnings	8,529	-	-	1,286	9,815
Miscellaneous	43,911	-	-	-	43,911
Total revenues	14,793,266	25,147	1,605,608	5,542	16,429,563
EXPENDITURES					
Current:					
General government	3,482,413	1,286,368	-	-	4,768,781
Public safety	4,574,060	-	1,605,608	216,218	6,395,886
Economic and physical development	190,598	-	-	53,950	244,548
Human services	3,959,066	-	-	-	3,959,066
Cultural and recreational	404,610	-	-	-	404,610
Intergovernmental:					
Education	1,456,693	-	-	-	1,456,693
Special appropriations	115,057	-	-	-	115,057
Total expenditures	14,182,497	1,286,368	1,605,608	270,168	17,344,641
Excess (deficiency) of revenues over expenditures	610,769	(1,261,221)	-	(264,626)	(915,078)
OTHER FINANCING SOURCES (USES)					
Capital lease obligations issued	35,890	-	-	-	35,890
Total other financing sources (uses)	35,890	-	-	-	35,890
Net change in fund balance	646,659	(1,261,221)	-	(264,626)	(879,188)
Fund balance, beginning as previously reported	7,758,134	2,688,072	-	1,337,804	11,784,010
Prior period adjustment	(573)	-	-	573	-
Fund balances, beginning as restated	7,757,561	2,688,072	-	1,338,377	11,784,010
Fund balances, ending	\$ 8,404,220	\$ 1,426,851	\$ -	\$ 1,073,751	\$ 10,904,822

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, 2018

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ (879,188)
<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	3,387,517
Depreciation expense for governmental assets	(779,778)
Cost of capital asset disposed of during the year, not recorded in the fund statements	(287)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	298,172
<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	(15,589)
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	(35,890)
Principal payments on long-term debt	1,311,475
Change in accrued interest payable	(9,637)
<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	24,648
Pension expense	(372,986)
Total changes in net position of governmental activities	<u>\$ 2,923,433</u>

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

Graham County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2018

	General Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Ad valorem taxes	\$ 6,653,699	\$ 6,662,884	\$ 6,815,359	\$ 152,475
Local option sales taxes	1,782,600	1,782,600	2,052,747	270,147
Other taxes and licenses	53,175	53,175	54,728	1,553
Unrestricted intergovernmental	850,024	867,024	834,638	(32,386)
Restricted intergovernmental	3,670,086	3,775,173	2,843,626	(931,547)
Other restricted revenues	16,800	16,800	16,746	(54)
Permits and fees	128,250	139,250	157,288	18,038
Sales and services	1,779,233	1,849,233	1,965,694	116,461
Investment earnings	7,296	7,296	8,324	1,028
Miscellaneous	65,000	86,004	43,911	(42,093)
Total revenues	<u>15,006,163</u>	<u>15,239,439</u>	<u>14,793,061</u>	<u>(446,378)</u>
EXPENDITURES				
Current:				
General government	3,546,083	3,892,164	3,445,217	446,947
Public safety	4,628,810	4,928,102	4,574,060	354,042
Economic and physical development	251,132	252,132	190,598	61,534
Human services	4,958,422	5,103,730	3,959,066	1,144,664
Cultural and recreational	442,438	453,438	404,610	48,828
Special appropriations	115,045	115,305	115,057	248
Intergovernmental:				
Education	1,190,331	1,464,608	1,456,693	7,915
Total expenditures	<u>15,132,261</u>	<u>16,209,479</u>	<u>14,145,301</u>	<u>2,064,178</u>
Revenues over (under) expenditures	<u>(126,098)</u>	<u>(970,040)</u>	<u>647,760</u>	<u>1,617,800</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(50,000)	(160,000)	(50,000)	110,000
Capital lease obligations issued	-	10,087	35,890	25,803
Total other financing sources (uses)	<u>(50,000)</u>	<u>(149,913)</u>	<u>(14,110)</u>	<u>135,803</u>
Fund balance appropriated	<u>176,098</u>	<u>1,119,953</u>	<u>-</u>	<u>(1,119,953)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>633,650</u>	<u>\$ 633,650</u>
Fund balance, beginning as previously reported			7,546,699	
Prior period adjustment			(573)	
Fund balance, beginning as restated			<u>7,546,126</u>	
Fund balance, ending			<u>\$ 8,179,776</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, 2018

Exhibit 7

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 30,894
LIABILITIES	
Liabilities:	
Miscellaneous liabilities	\$ 25,153
Due to Town of Robbinsville	4,388
Due to Town of Santeetlah	504
Intergovernmental payable - State of North Carolina	849
	<hr/>
Total liabilities	\$ 30,894
	<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, 2018

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**Graham County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018**

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Graham County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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 Statue 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 non-major funds.

The County reports the following major governmental funds:

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

Graham County Park Capital Project Fund. This fund accounts for the construction of the PARTF Recreation Park located at the former Stanley Furniture Company facility funded by a grant from the Parks and Recreation Trust Fund. For the fiscal year ended June 30, 2018, the fund had no financial transactions to report.

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

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

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

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

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

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

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

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

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

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

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

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

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

C. Budgetary Data

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

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

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Graham County Restricted Cash and Cash Equivalents		
Governmental Activities		
General Fund	Facility Fund	\$ 6,369
	Register of Deeds AE&P Fund	51,406
	Duke Energy STW/Shareholder FDS	1,896
	Unexpended grant proceeds - low-income housing	45,512
	Unexpended grant proceeds - ARC	1,443
	Unexpended grant proceeds - transit	53,145
	Sheriff Impound Fees	5,791
	Sheriff Concealed Permits	53,071
	4H Youth Education	13,552
	Sheriff's Office Trust Account	352
	Sheriff NC Drug Tax Account	25,535
	Sheriff Federal Drug Account	2,059
	Soil and Water Conservation	24,761
	USDA Reserve Account - condition of loan	7,102
	Tax revaluation	228,847
	Total General Fund Restricted Cash and Cash Equivalents	520,841
EDC Special Revenue Fund	Unexpended grant proceeds - Golden Leaf	799,080
Emergency Telephone Fund	911 emergency service	320,804
Total Governmental Activities Restricted Cash and Cash Equivalents		\$ 1,640,725

Graham County Restricted Investments		
Governmental Activities		
Phillips and Jordan Building Capital Project Fund	Unexpended debt proceeds	1,525,767
Total Governmental Activities Restricted Investments		\$ 1,525,767

Discretely presented component units

Graham County Travel & Tourism Authority		
Governmental Activities		
General Fund	Capital Reserve	\$ 28,404

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, 2017. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

Discretely presented component units*Graham County Rural Development Authority*

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

7. Capital Assets

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

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

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

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

Land and construction in progress are not depreciated.

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

	Years
Furniture and fixtures	7
Equipment	5 - 10
Vehicles	5

Construction in progress is not depreciated.

8. Unearned Revenue

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

9. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has 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, special assessments receivable, and other pension related deferrals.

10. Long-Term Obligations

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

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

11. Compensated Absences

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

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

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

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

Fund Balances

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

The governmental fund types classify fund balance as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13. Defined Benefit Pension Plans

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

14. Reclassifications

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

15. Estimates

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

16. Major Taxpayer

The County has one major taxpayer with property valued at \$211,716,789.

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 \$9,768,287 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)	\$ 23,512,943
Less accumulated depreciation	(8,210,447)
Net capital assets	<u>15,302,496</u>
Net pension asset	11,843
Contributions to the pension plan in the current fiscal year	298,172
Deferred outflows of resources related to pensions are not reported in the funds	604,981
Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not current financial resources	25,120

Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	21,272
Deferred inflows of resources for taxes reported in the fund statements but not the government-wide statements	251,030
Deferred inflows of resources related to pensions are not reported in the fund statements	(155,870)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(5,124,358)
Compensated absences	(320,034)
Net pension liability	(1,056,881)
Total pension liability	(53,279)
Accrued interest payable	(36,205)
Total adjustment	<u>\$ 9,768,287</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 \$3,802,621 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 3,387,517
Cost of disposed capital asset not recorded in fund statements	(287)
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	(779,778)
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	(35,890)
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	1,311,475
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	298,172
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	(14,661)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	24,648
County's portion of collective pension expense	(372,986)
Change in unavailable revenue for tax revenues	(15,589)
Total adjustment	<u>\$ 3,802,621</u>

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None Noted.

2. Contractual Violations

None Noted.

B. Excess of Expenditures over Appropriations

None Noted.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

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

At June 30, 2018, the County's deposits had a carrying amount of \$9,206,082 and a bank balance of \$9,639,800. Of the bank balance, \$541,838 was covered by federal depository insurance and \$9,097,962 was covered by collateral held under the Pooling Method.

At June 30, 2018, Graham County had \$401 cash on hand.

At June 30, 2018 the carrying amount of deposits for T&T was \$431,186 and the bank balance was \$433,477. Of the bank balance, \$250,000 was covered by federal depository insurance and \$183,477 was covered by collateral held under the Pooling Method.

At June 30, 2018, the carrying amount of deposits for RDA was \$69,457 and a bank balance of \$69,457. All of the bank balance was covered by federal depository insurance.

2. Investments

As of June 30, 2018, the County had the following investments and maturities.

Investments by Type	Valuation Measurement Method	Fair Value	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 1,525,767	N/A	AAA
Total		\$ 1,525,767		

The County has no policy regarding credit risk.

3. Receivables

Receivables at the government-wide level at June 30, 2018, were as follows:

	Landfill Receivable	Taxes Receivable	Accrued Interest Receivable on Taxes	Accounts	Total
Governmental Activities:					
General	\$ 7,831	\$ 479,693	\$ 21,272	\$ 103,852	\$ 612,648
Other governmental	-	-	-	441,504	441,504
Total receivables	7,831	479,693	21,272	545,356	1,054,152
Allowance for doubtful accounts	7,831	228,663	-	-	236,494
Total governmental activities	\$ -	\$ 251,030	\$ 21,272	\$ 545,356	\$ 817,658

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

Graham County Travel and Tourism Authority's \$33,382 in accounts receivable at June 30, 2018 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 \$1,347 at June 30, 2018.

Graham County Rural Development Authority

Due from other governments that is owed to RDA consists of advances to Graham County Board of Education for construction costs \$105,000, as well as the value of a lot deeded to the school system for educational purposes \$15,000, for a total of \$120,000 at June 30, 2018. The school system plans to build a residential home as part of a partnering agreement with Graham County Rural Development Authority. Upon sale of the home, Graham County Rural Development Authority will be reimbursed \$120,000 for land and all advanced costs.

4. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2018, was as follows:

	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 1,798,099	\$ -	\$ -	\$ -	\$ 1,798,099
Construction in progress	729,177	2,891,977	-	(1,471,917)	2,149,237
Total capital assets not being depreciated	2,527,276	2,891,977	-	(1,471,917)	3,947,336
Capital assets being depreciated:					
Buildings	9,612,052	-	-	1,471,917	11,083,969
Other improvements	1,296,402	26,214	-	-	1,322,616
Equipment and furniture	3,137,914	270,344	54,721	-	3,353,537
Vehicles	3,827,640	198,982	221,137	-	3,805,485
Total capital assets being depreciated	17,874,008	495,540	275,858	1,471,917	19,565,607
Less accumulated depreciation for:					
Buildings	2,072,450	242,729	-	-	2,315,179
Other improvements	365,984	58,127	-	-	424,111
Equipment and furniture	2,411,237	206,228	54,434	-	2,563,031
Vehicles	2,856,569	272,694	221,137	-	2,908,126
Total accumulated depreciation	7,706,240	779,778	275,571	-	8,210,447
Total capital assets being depreciated, net	10,167,768				11,355,160
Governmental activity capital assets, net	\$ 12,695,044				\$ 15,302,496

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

General government	\$ 148,382
Public safety	302,653
Economic and physical development	1,172
Human services	269,538
Cultural and recreational	58,033
Total depreciation expense	\$ 779,778

Construction commitments

The County has the following active construction projects as of June 30, 2018:

Project	Spent-to-date	Remaining Commitment
Graham County Park	\$ 44,648	\$ -
Graham County E911 Enhancement/Replacement	1,605,608	1,296,387
Total	\$ 1,650,256	\$ 1,296,387

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

Capital asset activity for the Graham County Travel and Tourism Authority for the year ended June 30, 2018, was as follows:

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

Capital asset activity for the Graham County Rural Development Authority for the year ended June 30, 2018, was as follows:

	Beginning Balances, restated	Additions	Retirements	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 4,275	\$ 144,612	\$ -	\$ -	\$ 148,887
Total capital assets not being depreciated	\$ 4,275	\$ 144,612	\$ -	\$ -	\$ 148,887

B. Liabilities**1. Payables**

Payables at the government-wide level at June 30, 2018, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 573,190	\$ 125,440	\$ 698,630
Other governmental	39,179	-	39,179
Total-governmental activities	\$ 612,369	\$ 125,440	\$ 737,809

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, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 \$297,575 for the year ended June 30, 2018.

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, 2018, the County reported a liability of \$1,056,879 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the County's proportion was .0692%, which was a decrease of .007% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$362,689. At June 30, 2018, 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	\$ 60,885	\$ 29,917
Changes of assumptions	150,936	-
Net difference between projected and actual earnings on pension plan investments	256,611	-
Changes in proportion and differences between County contributions and proportionate share of contributions	126,913	107,377
County contributions subsequent to the measurement date	297,575	-
Total	<u>\$ 892,920</u>	<u>\$ 137,294</u>

\$297,575 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$	60,812
2020		326,397
2021		165,011
2022		(94,169)
2023		-
Thereafter		-

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.20 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 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 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. 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 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
County's proportionate share of the net pension liability (asset)	\$ 3,172,774	\$ 1,056,879	\$ (709,226)

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, 2016, the Separation Allowance's membership consisted of:

Inactive Members Currently Receiving Benefits	-
Active Members	12
Total	12

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, 2016 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	3.16 percent

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

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

4. Contributions

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

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

At June 30, 2018, the County reported a total pension liability of \$53,279. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the County recognized pension expense of \$9,120.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 16,774
Changes of assumptions	6,369	1,084
County benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	\$ 6,369	\$ 17,858

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:

2019	\$ (2,377)
2020	(2,377)
2021	(2,377)
2022	(2,377)
2023	(1,981)
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 3.16 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 (2.16 percent) or 1- percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 59,025	\$ 53,279	\$ 48,210

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

Total pension liability as of December 31, 2016	\$ 54,874
Changes for the year:	
Service cost	8,833
Interest on the total pension liability	2,118
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(20,226)
Changes of assumptions or other inputs	7,680
Benefit payments	-
Other changes	-
Net changes	(1,595)
Total pension liability as of December 31, 2017	\$ 53,279

Changes of assumptions. The discount rate has changed from 3.86 percent to 3.16 percent 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, 2016 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 \$15,280 for the year ended June 30, 2018. 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 \$597 for the year ended June 30, 2018.

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

At June 30, 2018, the County reported an asset of \$11,844 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the County's proportion was 0.06939%, which was an increase of .00104% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$1,715. At June 30, 2018, 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	\$ 203	\$ 38
Changes of assumptions	1,998	-
Net difference between projected and actual earnings on pension plan investments	1,007	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	59	680
County contributions subsequent to the measurement date	597	-
Total	\$ 3,864	\$ 718

\$597 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 1,435
2020	743
2021	115
2022	256
2023	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2016 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2017 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 3.05%. 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)	\$ (9,309)	\$ (11,844)	\$ (13,976)

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 ROD was measured as of December 31, 2016, 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, 2017, with an actuarial valuation date of December 31, 2016. 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>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 1,056,879	\$ (11,844)	\$ -	\$ 1,045,035
Proportion of the of Net Pension Liability (Asset)	0.0692%	0.0694%	n/a	n/a
Total Pension Liability	-	-	\$ 53,279	\$ 53,279
Pension Expense	\$ 362,689	\$ 1,715	\$ 9,120	\$ 373,524

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 60,885	\$ 203	\$ -	\$ 61,088
Changes of assumptions	150,936	1,998	6,369	159,303
Net difference between projected and actual earnings on pension plan investments	256,611	1,007	-	257,618
Changes in proportion and differences between County contributions and proportionate share of contributions	126,913	59	-	126,972
County contributions (LGERS,ROD)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	297,575	597	-	298,172
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	\$ 29,917	\$ 38	\$ 16,774	\$ 46,729
Changes of assumptions	-	-	1,084	1,084
Changes in proportion and differences between County contributions and proportionate share of contributions	107,377	680	-	108,057

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	\$ 25,120	\$ -
Pensions - difference between expected and actual experience	61,088	46,729
Pensions - changes of assumptions	159,303	1,084
Pensions - difference between projected and actual investment earnings	257,618	-
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	126,972	108,057
Contributions to pension plan subsequent to measurement date (LGERs, ROD)	298,172	-
Prepaid taxes not yet earned (General)	-	112,126
Taxes receivable, net, less penalties (General)	-	251,030
Total deferred inflows of resources	\$ 928,273	\$ 519,026

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 \$20,228,932, 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, 2018, 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.

At June 30, 2018, the County leased equipment valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment - Cisco switches	\$ 35,890	\$ 4,273	\$ 31,617
Total	\$ 35,890	\$ 4,273	\$ 31,617

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, are as follows:

Year ending June 30,	
2019	\$ 11,107
2020	11,107
2021	3,590
Total minimum lease payments	25,804
Less: amount representing interest	-
Present value of the minimum lease payments	\$ 25,804

b. Installment Purchases

The County has entered into several installment purchase contracts. Installment purchase contracts outstanding at June 30, 2018, are as follows:

On September 13, 2005, the County entered into a \$1,618,000 QZAB installment purchase for school improvements. The installment purchase requires 16 annual principal payments of \$84,394, and one final payment of \$267,704, including interest at zero percent. The installment purchase matures on September 13, 2021. \$ 605,277

On September 17, 2015, the County entered into a \$453,818 installment financing arrangement with the United States Department of Agriculture to replace the fund balance reserve that was somewhat depleted by the purchase of the transfer station. The installment contract requires thirty annual payments of \$25,065, including interest at 3.625%. The installment financing arrangement matures on September 17, 2045. 436,277

On October 15, 2015, the County entered into a \$90,565 installment purchase for the purchase of cardiac monitors. The installment purchase requires four annual payments of \$23,790, including interest at 2.01%. The installment purchase matures on October 15, 2019.	46,184
On May 31, 2017, the County entered into a \$24,823 installment purchase for the purchase of a Chevrolet Express Cargo Van. The installment purchase requires three annual payments of \$8,826, including interest at 3.25%. The installment purchase matures on May 31, 2020.	16,816
On June 1, 2017, the County entered into a \$2,873,000 installment purchase for the acquisition, renovation and improvement of the Phillips & Jordan Building located at 191 P&J Road, Robbinsville, North Carolina. The installment purchase requires eight annual principal payments of \$192,000 followed by seven annual principal payments of \$191,000, including interest at 2.67% beginning on March 15, 2018. There will also be annual interest only payments beginning September 15, 2017 through September 15, 2031 at 2.67%. The installment purchase matures on March 15, 2032.	2,681,000
	\$ 3,785,554

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2019	\$ 316,777	\$ 88,881
2020	317,846	82,685
2021	286,326	76,462
2022	554,390	70,976
2023	202,666	65,476
2024-2028	1,016,417	244,477
2029-2033	834,996	105,326
2034-2038	84,831	40,493
2039-2043	101,363	23,962
2044-2046	69,942	5,253
Total	\$ 3,785,554	\$ 803,991

c. General Obligation Indebtedness

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

General obligation bonds:

On September 23, 2014, the County issued \$2,323,000 of general obligation advance refunding bonds. The advance refunding bonds are due in annual installments beginning June 1, 2015, of varying amounts ranging from \$245,000 to \$269,000 through June 1, 2023, including interest at 2.20%. There will also be annual interest only payments beginning December 1, 2014 through December 1, 2022 at 2.20%.	\$ 1,313,000
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Annual debt service requirements for general obligation bonds to maturity are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2019	\$ 263,000	\$ 28,886
2020	269,000	23,100
2021	263,000	17,182
2022	262,000	11,396
2023	256,000	5,632
Total	\$ 1,313,000	\$ 86,196

Debt Related to Capital Activities - Of the total Governmental Activities debt listed only \$1,680,314 relates to assets the County holds title. Unspent restricted investments related to this debt amounts to \$1,525,767.

d. Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2018:

	Beginning Balances	Additions	Retirements	Ending Balances	Due Within One Year
General obligation debt	\$ 1,571,000	\$ -	\$ 258,000	\$ 1,313,000	\$ 263,000
Capitalized leases	4,869	35,890	14,955	25,804	11,107
Installment notes payable	4,824,074	-	1,038,520	3,785,554	316,777
Compensated absences	344,682	299,300	323,948	320,034	323,000
Net pension liability (LGRS)	1,613,401	-	556,520	1,056,881	-
Total pension liability (LEOSSA)	54,874	-	1,595	53,279	-
Total	\$ 8,412,900	\$ 335,190	\$ 2,193,538	\$ 6,554,552	\$ 913,884

No interest was capitalized during the year ended June 30, 2018; interest incurred and charged to expense totaled \$151,376.

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, 2018, Graham County had a legal debt margin of \$87,186,493.

Discretely presented component unit*Graham County Rural Development Authority*

The following is a summary of changes in RDA's long-term obligations for the fiscal year ended June 30, 2018:

	Beginning Balances	Additions	Retirements	Ending Balances	Due Within One Year
Non-revolving line of credit	\$ -	\$ 134,500	\$ 33	\$ 134,467	\$ 134,467
Total	\$ -	\$ 134,500	\$ 33	\$ 134,467	\$ 134,467

C. Prior Period Adjustment

During the fiscal year ended June 30, 2018, 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, 2017 by \$573 due to expenditures that were deemed ineligible for reimbursement.

Emergency Telephone System Fund Balance, beginning as previously reported	\$	513,793
Ineligible expenditures made in the prior fiscal year		573
Net prior period adjustment		573
Emergency Telephone System Fund Balance, beginning as restated	\$	514,366

General Fund Balance: The understatement in the Emergency Telephone System Fund contributed to a corresponding understatement of expenditures in the General Fund of \$573. This adjustment decreased beginning fund balance by \$573.

General Fund Balance, beginning as previously reported	\$	7,546,699
Adjustment for Emergency Telephone System Fund		(573)
Net prior period adjustment		(573)
General Fund Balance, beginning as restated	\$	7,546,126

Governmental Activities: The beginning balance of capitalized leases was overstated at June 30, 2017 resulting in an overstatement of net position of \$475.

Net Position, beginning as previously reported	\$	17,750,151
Capitalized leases overstatement		(475)
Net prior period adjustment/restatement		(475)
Net Position, beginning as restated	\$	17,749,676

D. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2018, consist of the following:

Due to the General Fund from:

Phillips and Jordan Building Capital Project Fund	\$ 98,916
Graham County E911 Enhancement/Replacement Capital Project Fund	441,149
Emergency Telephone Fund	11,756
Total	<u>\$ 551,821</u>

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

Transfers to/from other funds at June 30, 2018 consisted of the following:

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

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

E. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2018, is computed as follows:

Capital assets, net of accumulated depreciation	\$ 15,302,496
Less capital debt:	
Gross debt (excluding compensated absences)	5,124,358
Less:	
Unexpended debt proceeds	1,525,767
School debt related to assets to which the County does not hold title	<u>1,918,277</u>
Total capital debt	1,680,314
Net investment in capital assets	<u>\$ 13,622,182</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	\$ 8,404,220
Less:	
Register of deeds	51,406
Stabilization by state statute	1,208,985
Human services	53,145
Law enforcement	59,214
Economic development	46,955
Courts	6,369
USDA reserve	7,102
Tax revaluation	224,444
Appropriated Fund Balance in 2019 budget	577,951
Working Capital/ Fund Balance Policy	1,387,571
Remaining fund balance	<u>\$ 4,781,078</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.

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

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

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2018, 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, 2018. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$70,000 to the Library to supplement its activities. Complete financial statements for the Library may be obtained from the Library’s offices at 101-A Blumenthal Street, Murphy, NC 28906.

V. Jointly Governed Organizations

The County, in conjunction with seven other counties and fifteen municipalities, established the Southwestern N.C. Planning and Economic Development Commission (Commission). The participating governments established the Commission to coordinate funding received from various federal and State agencies. Each participating government appoints one member to the Commission’s forty-four member governing board. The County paid membership fees of \$6,119 to the Commission during the fiscal year ended June 30, 2018.

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, 2018.

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. At June 30, 2018, the Authority had advanced \$105,000 to the Graham County Board of Education. Upon completion and sale of the dwelling to a third party, the Graham County Board of Education would return the \$105,000 of funds advanced during construction to the Authority. Following payment to the Authority for the cost of the lot and reimbursement of the construction advances, the net proceeds of the sale would be shared equally by the Authority and the Board of Education.

VII. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Temporary Assistance for Needy Families	\$ 6,957	\$ -
Medicaid	12,601,190	6,501,299
State Children's Insurance Program - N.C. Health Choice	347,008	2,589
WIC	186,805	-
Food Stamp Program	1,486,558	-
State/County Special Assistance for Adults	-	56,251
Adoption assistance	97,811	29,945
Energy Assistance	36,400	-
Title IV-E, foster care	61,753	11,452
State Foster Care	-	5,541
	<u>\$ 14,824,482</u>	<u>\$ 6,607,077</u>

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

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

IX. Significant Effects of Subsequent Events

The County has evaluated subsequent events and transactions through December 11, 2018, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

- A. In 2014, Graham County was awarded a \$500,000 grant from the Parks and Recreation Trust Fund (PARTF) to construct a recreation park at the former Stanley Furniture plant site. The Stanley Furniture Company had deeded approximately 37 acres to Graham County before they closed operations in Graham County for the purpose of constructing the recreation park. The land deeded to Graham County was to serve as a dollar for dollar match for the \$500,000 awarded by PARTF. As part of the due diligence process, Graham County contracted with Anchor QEA (formerly Altamont Environment) located in Asheville, North Carolina to perform a Phase I Environmental Assessment on the property. Findings of inert chemical substances on an approximately 7 acre tract of the 37 acres necessitated a Phase II Environmental Assessment, which led Graham County to report the findings to the North Carolina Division of Environmental Quality (NCDEQ) and to declare the 7 acre area as a brownfield. Graham County applied for and was successful in getting the site to be placed into the brownfield program. NCDEQ is requiring that an assessment of the brownfield be performed to determine what substances comprise the chemicals found in the Phase I and II environmental assessments. They recommended that the County apply for a brownfield assessment grant from the Environmental Protection Agency (EPA). The timing of the grant cycles and the resources necessary to apply for the grants and perform the assessments fell outside of the PARTF grant cycle. Graham County officials met with PARTF officials and determined that the best course of action would be to terminate the existing PARTF grant. Graham County had expended and been reimbursed for \$44,647.50 in engineering and start up costs. A repayment plan for the balance was granted on November 20, 2018 by PARTF to repay the balance in quarterly installments beginning December 1, 2018. Three (3) payments in the amount of \$11,162.00 will be due December 1, 2018, March 1, 2019, July 1, 2019 and a final payment in the amount of \$11,161.50 will be October 1, 2019. Graham County is reviewing all of the legal remedies available to them in matter.

X. New Accounting Pronouncements***Pronouncements effective for the 2018 Financial Statements:***

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This Statement establishes accounting and financial reporting standards for Other Post-Employment Plans (OPEB) that are administered through trusts or equivalent arrangements which involve contributions from employers and nonemployer contributing entities to the OPEB plan. This pronouncement did not impact the County.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Governments receiving resources pursuant to an irrevocable split-interest agreement are to recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This pronouncement did not impact the County.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This pronouncement did not impact the County.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses issues related to blending component units, goodwill, fair value measurement and application, pensions, and other post-employment benefits (OPEB). This pronouncement did not impact the County.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This pronouncement did not impact the County.

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

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

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

In 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 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 requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

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.

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 Five Fiscal Years *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.069%	0.076%	0.069%	0.078%	0.083%
County's proportionate share of the net pension liability (asset) \$	\$ 1,056,879	\$ 1,613,401	\$ 307,741	\$ (461,771)	\$ 1,002,880
County's covered-employee payroll	\$ 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	26.16%	40.12%	8.16%	(11.56%)	24.09%
Plan fiduciary net position as a percentage of the total pension liability**	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 Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 297,575	\$ 299,992	\$ 410,849	\$ 396,494	\$ 418,574
Contributions in relation to the contractually required contribution	<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>
County's covered-employee payroll	\$ 3,932,080	\$ 4,040,090	\$ 4,021,910	\$ 3,771,110	\$ 3,994,140
Contributions as a percentage of covered-employee payroll	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 Five Fiscal Years *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.0694%	0.0680%	0.6310%	6.7200%	6.7200%
County's proportionate share of the net pension liability (asset) \$	\$ (11,844)	\$ (12,778)	\$ (14,611)	\$ (15,236)	\$ (14,288)
Plan fiduciary net position as a percentage of the total pension liability	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 Five Fiscal Years

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

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 54,874	\$ 45,225
Service cost	8,833	9,590
Interest on the total pension liability	2,118	1,615
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(20,226)	-
Changes of assumptions or other inputs	7,680	(1,556)
Benefit payments	-	-
Other changes	-	-
Ending balance of the total pension liability	<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, 2018

	2018	2017
Total pension liability	\$ 53,279	\$ 54,874
Covered payroll	480,234	483,289
Total pension liability as a percentage of covered payroll	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 Park Capital Project Fund** - This fund accounts for the construction of the PARTF Recreation Park located at the former Stanley Furniture Company facility funded by a grant from the Parks and Recreation Trust Fund. For the fiscal year ended June 30, 2018, the fund had no financial transactions to report.
- **Graham County E 911 Enhancement/Replacement Capital Project Fund** - This fund accounts for the construction of a new 911 center to replace the existing primary PSAP center. This project will also serve to enhance current equipment and software necessary for the 911 center operations. The project is funded by a grant from North Carolina 911 Board.
- **Phillips and Jordan Building Capital Project Fund** - This fund accounts for the acquisition, renovation and improvement of the Phillips & Jordan Building located at 191 P&J Road, Robbinsville, North Carolina. This project is financed by loan proceeds.

Graham County, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balances
General Fund - Consolidated
For the Fiscal Year Ended June 30, 2018

	General Fund	Revaluation Fund	Eliminations	Total
REVENUES				
Ad valorem taxes	\$ 6,815,359	\$ -	\$ -	\$ 6,815,359
Local option sales taxes	2,052,747	-	-	2,052,747
Other taxes and licenses	54,728	-	-	54,728
Unrestricted intergovernmental	834,638	-	-	834,638
Restricted intergovernmental	2,843,626	-	-	2,843,626
Other restricted revenues	16,746	-	-	16,746
Permits and fees	157,288	-	-	157,288
Sales and services	1,965,694	-	-	1,965,694
Investment earnings	8,324	205	-	8,529
Miscellaneous	43,911	-	-	43,911
Total revenues	<u>14,793,061</u>	<u>205</u>	<u>-</u>	<u>14,793,266</u>
EXPENDITURES				
Current:				
General government	3,445,217	37,196	-	3,482,413
Public safety	4,574,060	-	-	4,574,060
Economic and physical development	190,598	-	-	190,598
Human services	3,959,066	-	-	3,959,066
Cultural and recreational	404,610	-	-	404,610
Intergovernmental:				
Education	1,456,693	-	-	1,456,693
Special appropriations	115,057	-	-	115,057
Total expenditures	<u>14,145,301</u>	<u>37,196</u>	<u>-</u>	<u>14,182,497</u>
Revenues over (under) expenditures	<u>647,760</u>	<u>(36,991)</u>	<u>-</u>	<u>610,769</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	50,000	(50,000)	-
Transfers out	(50,000)	-	50,000	-
Capital lease obligations issued	35,890	-	-	35,890
Total other financing sources (uses)	<u>(14,110)</u>	<u>50,000</u>	<u>-</u>	<u>35,890</u>
Fund balance appropriated/(additions)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	633,650	13,009	<u>\$ -</u>	646,659
FUND BALANCES				
Fund balance, beginning as previously reported	7,546,699	211,435		7,758,134
Prior period adjustment	(573)	-		(573)
Fund balance, beginning as restated	<u>7,546,126</u>	<u>211,435</u>		<u>7,757,561</u>
Fund balance, ending	<u>\$ 8,179,776</u>	<u>\$ 224,444</u>		<u>\$ 8,404,220</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Current year taxes		\$ 6,572,452	
Prior year taxes		170,421	
Penalties and interest		72,486	
Total	<u>\$ 6,662,884</u>	<u>6,815,359</u>	<u>\$ 152,475</u>
Local option sales taxes:			
Local option sales tax		2,052,747	
Total	<u>1,782,600</u>	<u>2,052,747</u>	<u>270,147</u>
Other taxes and licenses:			
Register of deeds - excise tax		50,705	
Cable franchise fees		4,023	
Total	<u>53,175</u>	<u>54,728</u>	<u>1,553</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes		834,638	
Total	<u>867,024</u>	<u>834,638</u>	<u>(32,386)</u>
Restricted intergovernmental:			
State grants		2,359,597	
Federal grants		423,034	
Local grants		32,218	
Court facility fees		212	
Scrap tire disposal fee		13,062	
Solid waste disposal tax		7,092	
Controlled substance tax		2,764	
White goods disposal fee		5,647	
Total	<u>3,775,173</u>	<u>2,843,626</u>	<u>(931,547)</u>
Other restricted revenues:			
Private grants & contributions		16,746	
Total	<u>16,800</u>	<u>16,746</u>	<u>(54)</u>
Permits and fees:			
Building permits		61,565	
Register of deeds		84,593	
Health department well permits		11,130	
Total	<u>139,250</u>	<u>157,288</u>	<u>18,038</u>
Sales and services:			
Rents, concessions, and fees		1,131,830	
Jail fees		8,776	
Ambulance fees		663,999	
Home health		26,141	
Tipping fees		98,888	
Recycling revenue		8,859	
Sheriff fees		27,201	
Total	<u>1,849,233</u>	<u>1,965,694</u>	<u>116,461</u>
Investment earnings:	<u>7,296</u>	<u>8,324</u>	<u>1,028</u>
Miscellaneous:	<u>86,004</u>	<u>43,911</u>	<u>(42,093)</u>
Total revenues	<u>15,239,439</u>	<u>14,793,061</u>	<u>(446,378)</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES			
General government:			
Governing body:			
Salaries and employee benefits		142,976	
Operating expenditures		212,106	
Contracted services		102,931	
Miscellaneous contributions		6,119	
Debt service:			
Principal retirement		60,276	
Interest and other charges		1,113	
Total	<u>620,574</u>	<u>525,521</u>	<u>95,053</u>
Administration:			
Salaries and employee benefits		145,488	
Operating expenditures		128,399	
Insurance - general		245,790	
Contracted services		1,931	
Total	<u>646,166</u>	<u>521,608</u>	<u>124,558</u>
Board of elections:			
Salaries and employee benefits		108,869	
Operating expenditures		38,199	
Total	<u>159,955</u>	<u>147,068</u>	<u>12,887</u>
Finance:			
Salaries and employee benefits		105,234	
Operating expenditures		18,280	
Contracted services		52,940	
Total	<u>241,892</u>	<u>176,454</u>	<u>65,438</u>
Tax assessor:			
Salaries and employee benefits		126,761	
Operating expenditures		9,487	
Contracted services		33,733	
Total	<u>176,246</u>	<u>169,981</u>	<u>6,265</u>
Tax collector:			
Salaries and employee benefits		86,233	
Operating expenditures		21,727	
Total	<u>115,221</u>	<u>107,960</u>	<u>7,261</u>
Tax mapping:			
Salaries and employee benefits		30,973	
Operating expenditures		1,202	
Contracted services		22,165	
Total	<u>79,588</u>	<u>54,340</u>	<u>25,248</u>
Register of deeds:			
Salaries and employee benefits		96,313	
Operating expenditures		64,025	
Contracted services		41,104	
Total	<u>203,569</u>	<u>201,442</u>	<u>2,127</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public buildings:			
Salaries and employee benefits		130,940	
Operating expenditures		149,426	
Capital outlay		5,175	
Contracted services		18,039	
Debt service:			
Principal retirement		612,000	
Interest and other charges		73,438	
Total	<u>999,919</u>	<u>989,018</u>	<u>10,901</u>
Vehicle maintenance:			
Salaries and employee benefits		38,817	
Operating expenditures		8,152	
Contracted services		193	
Total	<u>49,579</u>	<u>47,162</u>	<u>2,417</u>
Computer support:			
Operating expenditures		11,286	
Capital outlay		43,268	
Contracted services		145,087	
Debt service:			
Principal retirement		10,086	
Interest and other charges			
Total	<u>212,087</u>	<u>209,727</u>	<u>2,360</u>
Grounds maintenance:			
Salaries and employee benefits		55,646	
Operating expenditures		9,609	
Capital outlay		17,953	
Total	<u>139,005</u>	<u>83,208</u>	<u>55,797</u>
Cemetery:			
Salaries and employee benefits		186,694	
Operating expenditures		20,239	
Capital outlay		4,795	
Total	<u>248,363</u>	<u>211,728</u>	<u>36,635</u>
Total general government	<u>3,892,164</u>	<u>3,445,217</u>	<u>446,947</u>
Public safety:			
Sheriff department:			
Salaries and employee benefits		905,744	
Operating expenditures		166,884	
Contracted services		10,255	
Capital outlay		64,828	
Debt service:			
Principal retirement		37,374	
Interest and other charges		673	
Total	<u>1,234,396</u>	<u>1,185,758</u>	<u>48,638</u>
Jail:			
Salaries and employee benefits		347,088	
Operating expenditures		258,412	
Contracted services		84,831	
Total	<u>814,083</u>	<u>690,331</u>	<u>123,752</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Ambulance service:			
Salaries and employee benefits		769,017	
Operating expenditures		111,735	
Capital outlay		129,417	
Debt service:			
Principal retirement		22,412	
Interest and other charges		1,379	
Total	<u>1,138,557</u>	<u>1,033,960</u>	<u>104,597</u>
District court:			
Operating expenditures		6,731	
Contracted services		475	
Total	<u>9,450</u>	<u>7,206</u>	<u>2,244</u>
Civil preparedness:			
Salaries and employee benefits		66,026	
Operating expenditures		29,487	
Debt service:			
Principal retirement		210,000	
Interest and other charges		8,592	
Total	<u>342,077</u>	<u>314,105</u>	<u>27,972</u>
Communications:			
Salaries and employee benefits		387,049	
Operating expenditures		14,830	
Contracted services		8,737	
Total	<u>420,667</u>	<u>410,616</u>	<u>10,051</u>
Sanitary landfill:			
Salaries and employee benefits		256,471	
Operating expenditures		198,934	
Capital outlay		32,900	
Tipping fees		197,320	
Debt service:			
Principal retirement		8,926	
Interest and other charges		16,139	
Total	<u>716,323</u>	<u>710,690</u>	<u>5,633</u>
EMS billing:			
Operating expenditures		44	
Contracted services		26,247	
Total	<u>35,150</u>	<u>26,291</u>	<u>8,859</u>
EBCI fuel (reimbursed expense)	<u>23,000</u>	<u>22,548</u>	<u>452</u>
Contribution to NC Forest Service	<u>44,975</u>	<u>23,443</u>	<u>21,532</u>
Contributions to rescue and fire	<u>149,424</u>	<u>149,112</u>	<u>312</u>
Total public safety	<u>4,928,102</u>	<u>4,574,060</u>	<u>354,042</u>
Economic development:			
County planner:			
Salaries and employee benefits		66,059	
Operating expenditures		9,232	
Total	<u>76,615</u>	<u>75,291</u>	<u>1,324</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Building inspector:			
Salaries and employee benefits		104,570	
Operating expenditures		10,737	
Total	<u>175,517</u>	<u>115,307</u>	60,210
Total economic development	<u>252,132</u>	<u>190,598</u>	61,534
Human services:			
Health department:			
Communicable diseases:			
Salaries and employee benefits		13,198	
Operating expenditures		478	
Total		<u>13,676</u>	
Child health:			
Salaries and employee benefits		67,351	
Operating expenditures		16,150	
Total		<u>83,501</u>	
Maternal health:			
Salaries and employee benefits		15,807	
Total		<u>15,807</u>	
Pcm/Ob care management:			
Salaries and employee benefits		24,545	
Operating expenditures		361	
Total		<u>24,906</u>	
Hill Top health care clinic:			
Salaries and employee benefits		8,807	
Operating expenses		14,158	
Capital outlay		21,160	
Contracted services		6,325	
Total		<u>50,450</u>	
TB:			
Salaries and employee benefits		331	
Operating expenditures		174	
Total		<u>505</u>	
Family planning:			
Salaries and employee benefits		51,553	
Operating expenditures		11,682	
Total		<u>63,235</u>	
Healthy communities:			
Salaries and employee benefits		20,122	
Operating expenditures		7,824	
Total		<u>27,946</u>	
Environmental health:			
Salaries and employee benefits		53,439	
Operating expenditures		21,723	
Total		<u>75,162</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
HIV/STD:			
Salaries and employee benefits		1,772	
Operating expenditures		125	
Total		<u>1,897</u>	
Breast cervical cancer prevention:			
Salaries and employee benefits		14,844	
Operating expenses		3,265	
Total		<u>18,109</u>	
Dental:			
Salaries and employee benefits		289,710	
Operating expenses		59,094	
Total		<u>348,804</u>	
Child service coordination:			
Salaries and employee benefits		18,279	
Operating expenses		88	
Total		<u>18,367</u>	
General health:			
Salaries and employee benefits		42,870	
Operating expenses		45,856	
Contracted services		16,061	
Total		<u>104,787</u>	
Immunization action plan IAP5.278:			
Salaries and employee benefits		4,089	
Operating expenses		92	
Total		<u>4,181</u>	
Smart Start:			
Salaries and employee benefits		24,059	
Operating expenses		312	
Total		<u>24,371</u>	
WIC:			
Salaries and employee benefits		59,855	
Operating expenses		1,106	
Total		<u>60,961</u>	
Health department food and lodging:			
Salaries and employee benefits		3,639	
Operating expenses		75	
Total		<u>3,714</u>	
Adult health:			
Salaries and employee benefits		73,722	
Operating expenses		107,419	
Total		<u>181,141</u>	
Healthy Carolinians			
Salaries and employee benefits		176	
Total		<u>176</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Bioterrorism Grant:			
Salaries and employee benefits		29,060	
Operating expenses		2,206	
Total		<u>31,266</u>	
CAP:			
Salaries and employee benefits		108,884	
Operating expenses		16,240	
Contracted services		6,612	
Total		<u>131,736</u>	
TPPI:			
Salaries and employee benefits		7,715	
Operating expenses		99,378	
Total		<u>107,093</u>	
Total Health Department	<u>1,457,013</u>	<u>1,391,791</u>	<u>65,222</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		996,529	
Capital outlay		22,203	
Operating expenses		183,187	
Total	<u>1,559,621</u>	<u>1,201,919</u>	<u>357,702</u>
Social service public assistance:			
Medical assistance		582	
Work first		115,500	
Foster care		202,653	
Special assistance		67,698	
Crisis intervention		76,266	
Foster care - clothing		5,700	
Total	<u>1,156,728</u>	<u>468,399</u>	<u>688,329</u>
Total social services	<u>2,716,349</u>	<u>1,670,318</u>	<u>1,046,031</u>
Senior citizens program:			
Administration:			
Salaries and employee benefits		176,443	
Operating expenses		98,447	
Contracted services		53,723	
Debt service:			
Principal retirement		8,007	
Interest and other charges		819	
Total senior citizens program	<u>341,384</u>	<u>337,439</u>	<u>3,945</u>
Transit:			
DOT transportation development grant			
Grant administrative expenditures:			
Salaries and employee benefits		121,184	
Operating expenditures		21,498	
Grant operating expenditures:			
Salaries and employee benefits		343,515	
Operating expenditures		69,321	
Total transit	<u>584,984</u>	<u>555,518</u>	<u>29,466</u>
Total human services	<u>5,103,730</u>	<u>3,959,066</u>	<u>1,144,664</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and recreational:			
4-H:			
Operating expenditures		5,943	
Total	12,000	5,943	6,057
Extension:			
Salaries and employee benefits		75,443	
Operating expenditures		6,834	
Total	84,146	82,277	1,869
Soil and water:			
Salaries and employee benefits		59,454	
Operating expenditures		5,455	
Total	72,403	64,909	7,494
Recreation:			
Salaries and employee benefits		85,546	
Operating expenditures		38,377	
Contracted services		18,256	
Total	172,582	142,179	30,403
Swimming pool:			
Salaries and employee benefits		20,913	
Operating expenditures		15,964	
Contracted services		2,425	
Total	42,307	39,302	3,005
Contributions to regional library	70,000	70,000	-
Total cultural and recreation	453,438	404,610	48,828
Special appropriations:			
Education:			
Public schools - current	825,000	825,000	-
Public schools - capital outlay	16,500	16,500	-
Public schools - capital outlay lottery/ADM	73,344	68,593	4,751
Public schools - SRS USFS Timber	47,933	44,769	3,164
Debt service:			
School Bond - capital outlay	258,000	258,000	-
School Bond - capital outlay - interest	34,562	34,562	-
QZAB debt - capital outlay	84,394	84,394	-
Tri-County Community College	124,875	124,875	-
Total education	1,464,608	1,456,693	7,915
Special appropriations :			
Contributions:			
JCPC	61,105	60,857	248
Regional mental health	6,000	6,000	-
State of Franklin	4,000	4,000	-
Other special appropriations	44,200	44,200	-
Total special appropriations	115,305	115,057	248
Total expenditures	16,209,479	14,145,301	2,064,178
Revenues over expenditures	(970,040)	647,760	1,617,800

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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OTHER FINANCING SOURCES (USES)			
Transfers to other funds:			
Revaluation Fund	(50,000)	(50,000)	-
Capital Project Fund	(110,000)	-	110,000
Total net transfers	<u>(160,000)</u>	<u>(50,000)</u>	<u>110,000</u>
Capital lease obligations issued	10,087	35,890	25,803
Total other financing sources (uses)	<u>(149,913)</u>	<u>(14,110)</u>	<u>135,803</u>
Appropriated fund balance	<u>1,119,953</u>	<u>-</u>	<u>1,119,953</u>
Net change in fund balance	<u>\$ -</u>	<u>633,650</u>	<u>\$ 633,650</u>
Fund balance, beginning as previously reported		7,546,699	
Prior period adjustment		(573)	
Fund balance, beginning		<u>7,546,126</u>	
Fund balance, ending		<u>\$ 8,179,776</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Investment earnings	\$ -	\$ 205	\$ 205
EXPENDITURES			
General government:			
Other operating expenditures		32	
Contracted services		37,164	
Total expenditures	<u>64,000</u>	<u>37,196</u>	<u>26,804</u>
Revenues over (under) expenditures	<u>(64,000)</u>	<u>(36,991)</u>	<u>27,009</u>
OTHER FINANCING SOURCES (USES)			
Transfer from:			
General fund	50,000	50,000	-
Transfer out:			
General fund	<u>(25,000)</u>	-	<u>25,000</u>
Total other financing sources (uses)	25,000	50,000	25,000
Appropriated fund balance	<u>39,000</u>	<u>-</u>	<u>(39,000)</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	13,009	<u>\$ 13,009</u>
Fund balance, beginning		<u>211,435</u>	
Fund balance, ending		<u>\$ 224,444</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, 2018

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Year	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental:					
North Carolina 911 Board	\$ 3,400,976	\$ 498,981	\$ 1,605,608	\$ 2,104,589	\$ (1,296,387)
Total revenues	<u>3,400,976</u>	<u>498,981</u>	<u>1,605,608</u>	<u>2,104,589</u>	<u>(1,296,387)</u>
EXPENDITURES					
Capital outlay:					
Public Safety:					
Construction	1,822,423	378,778	1,218,095	1,596,873	225,550
Technology	<u>1,578,553</u>	<u>120,203</u>	<u>387,513</u>	<u>507,716</u>	<u>1,070,837</u>
Total expenditures	<u>3,400,976</u>	<u>498,981</u>	<u>1,605,608</u>	<u>2,104,589</u>	<u>1,296,387</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>		

Graham County, North Carolina
Phillips and Jordan Building Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2018

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
		<u>Prior Year</u>	<u>Current Year</u>		
REVENUES					
Restricted intergovernmental:					
Investment earnings	\$ -	\$ 620	\$ 25,147	\$ 25,767	\$ 25,767
Total revenues	-	620	25,147	25,767	25,767
EXPENDITURES					
Capital outlay:					
Human Services					
Engineering and construction	2,500,000	185,548	1,286,368	1,471,916	1,028,084
Total expenditures	2,500,000	185,548	1,286,368	1,471,916	1,028,084
Revenues over (under) expenditures	(2,500,000)	(184,928)	(1,261,221)	(1,446,149)	1,053,851
OTHER FINANCING SOURCES (USES)					
Installment purchase proceeds	2,500,000	2,873,000	-	2,873,000	373,000
Total other financing sources (uses)	2,500,000	2,873,000	-	2,873,000	373,000
Revenues and other sources over (under) expenditures	\$ -	\$ 2,688,072	(1,261,221)	\$ 1,426,851	\$ 1,426,851
Fund balance, beginning			2,688,072		
Fund balance, ending			\$ 1,426,851		

COMBINING STATEMENTS FOR NON-MAJOR GOVERNMENTAL FUNDS

The County has two non-major governmental funds.

Special Revenue Funds:

- **Emergency Telephone Special Revenue Fund** - This fund accounts for the accumulation of funds used to operate the 911 emergency service operation.
- **Economic Development Fund** - This fund accounts for the lease revenues derived from the capital lease with Stanley Furniture for equipment purchased with grant funds from Golden Leaf Foundation. In accordance with the terms of the original grant, the proceeds coming back to Graham County are restricted as to use for future economic development activities within the County.

Graham County, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018

	Special Revenue Funds			
	Emergency Telephone Special Revenue Fund	Economic Development Fund	Total Non-Major Special Revenue Funds	Total Non-Major Governmental Funds
ASSETS				
Restricted cash and cash equivalents	\$ 320,804	\$ 799,080	\$ 1,119,884	\$ 1,119,884
Accounts receivable, net	355	-	355	355
Due from other governments	43	-	43	43
Total assets	\$ 321,202	\$ 799,080	\$ 1,120,282	\$ 1,120,282
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 6,574	\$ 28,201	\$ 34,775	\$ 34,775
Due to other funds	11,756	-	11,756	11,756
Total liabilities	18,330	28,201	46,531	46,531
Fund balances:				
Restricted:				
Stabilization by state statute	398	-	398	398
Public safety	302,474	-	302,474	302,474
Economic and physical development	-	770,879	770,879	770,879
Unassigned	-	-	-	-
Total fund balances	302,872	770,879	1,073,751	1,073,751
Total liabilities, deferred inflows of resources, and fund balances	\$ 321,202	\$ 799,080	\$ 1,120,282	\$ 1,120,282

Graham County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	<u>Special Revenue Funds</u>		Total Non-Major Governmental Funds
	Emergency Telephone Special Revenue Fund	Economic Development Fund	
REVENUES			
Restricted intergovernmental revenues	\$ 4,256	\$ -	\$ 4,256
Investment earnings	468	818	1,286
Total revenues	<u>4,724</u>	<u>818</u>	<u>5,542</u>
EXPENDITURES			
Current:			
Public safety	216,218	-	216,218
Economic and physical development	-	53,950	53,950
Total expenditures	<u>216,218</u>	<u>53,950</u>	<u>270,168</u>
Excess (deficiency) of revenues over expenditures	<u>(211,494)</u>	<u>(53,132)</u>	<u>(264,626)</u>
Net change in fund balances	(211,494)	(53,132)	(264,626)
Fund balances, beginning as previously reported	513,793	824,011	1,337,804
Prior period adjustment	573	-	573
Fund balances, beginning as restated	<u>514,366</u>	<u>824,011</u>	<u>1,338,377</u>
Fund balances, ending	<u>\$ 302,872</u>	<u>\$ 770,879</u>	<u>\$ 1,073,751</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Restricted intergovernmental		\$ 4,256	
Investment earnings		468	
Total revenues	<u>\$ 4,256</u>	<u>4,724</u>	<u>\$ 468</u>
EXPENDITURES			
Public safety	356,000	216,218	139,782
Total expenditures	<u>356,000</u>	<u>216,218</u>	<u>139,782</u>
Revenues over (under) expenditures	(351,744)	(211,494)	140,250
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>351,744</u>	<u>-</u>	<u>(351,744)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>(211,494)</u>	<u><u>\$ (211,494)</u></u>
Fund balance, beginning as previously reported		513,793	
Prior period adjustment		573	
Fund balance, beginning as restated		<u>514,366</u>	
Fund balance, ending		<u><u>\$ 302,872</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Investment earnings		\$ 818	
Total revenues	\$ 100,150	818	\$ (99,332)
EXPENDITURES			
Economic and physical development	1,001,499	53,950	947,549
Total expenditures	1,001,499	53,950	947,549
Revenues over (under) expenditures	(901,349)	(53,132)	848,217
OTHER FINANCING SOURCES (USES)			
Transfer in:			
General fund	76,853	-	(76,853)
Appropriated fund balance	824,496	-	(824,496)
Net change in fund balance	<u>\$ -</u>	(53,132)	<u>\$ (53,132)</u>
Fund balance, beginning		824,011	
Fund balance, ending		<u>\$ 770,879</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, 2018

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Social Services</u>				
Assets:				
Cash and cash equivalents	\$ 24,643	\$ 159,570	\$ 163,466	\$ 20,747
Liabilities:				
Miscellaneous liabilities	\$ 24,643	\$ 159,570	\$ 163,466	\$ 20,747
<u>Municipal Tax Fund</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 214,747	\$ 209,855	\$ 4,892
Liabilities:				
Due to Town of Robbinsville	\$ -	\$ 23,255	\$ 18,867	\$ 4,388
Due to Town of Santeetlah	-	190,220	189,716	504
Due to Town of Fontana Dam	-	1,272	1,272	-
	<u>\$ -</u>	<u>\$ 214,747</u>	<u>\$ 209,855</u>	<u>\$ 4,892</u>
<u>4-H Club</u>				
Assets:				
Cash and cash equivalents	\$ 4,512	\$ 13,955	\$ 14,061	\$ 4,406
Liabilities:				
Miscellaneous liabilities	\$ 4,512	\$ 13,955	\$ 14,061	\$ 4,406
<u>Deed of Trust Fee Fund</u>				
Assets:				
Cash and cash equivalents	\$ 989	\$ 10,002	\$ 10,142	\$ 849
Liabilities:				
Intergovernmental payable - State of North Carolina	\$ 989	\$ 10,002	\$ 10,142	\$ 849
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 30,144	\$ 398,274	\$ 397,524	\$ 30,894
Liabilities:				
Miscellaneous liabilities	\$ 29,155	\$ 173,525	\$ 177,527	\$ 25,153
Due to Town of Robbinsville	-	23,255	18,867	4,388
Due to Town of Santeetlah	-	190,220	189,716	504
Due to Town of Fontana Dam	-	1,272	1,272	-
Intergovernmental payable- State of North Carolina	989	10,002	10,142	849
Total liabilities	<u>\$ 30,144</u>	<u>\$ 398,274</u>	<u>\$ 397,524</u>	<u>\$ 30,894</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, 2018

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Uncollected Balance June 30, 2018
2017-2018	\$ -	\$ 6,750,231	\$ 6,575,180	\$ 175,051
2016-2017	207,791	-	115,055	92,736
2015-2016	92,794	-	34,691	58,103
2014-2015	51,964	-	10,956	41,008
2013-2014	28,202	-	4,557	23,645
2012-2013	27,975	-	3,432	24,543
2011-2012	18,986	-	2,410	16,576
2010-2011	19,287	-	1,441	17,846
2009-2010	15,945	-	1,371	14,574
2008-2009	16,594	-	983	15,611
2007-2008	15,591	-	15,591	-
	<u>\$ 495,129</u>	<u>\$ 6,750,231</u>	<u>\$ 6,765,667</u>	479,693
Less: allowance for uncollectible accounts:				
General Fund				<u>228,663</u>
Ad valorem taxes receivable - net:				
General Fund				<u>\$ 251,030</u>
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General fund				
Taxes collected				\$ 6,742,873
Penalties and interest				<u>72,486</u>
				6,815,359
Reconciling items:				
Garnishment fees				(9,875)
Taxes written off				15,157
Less: interest collected				(54,353)
Other adjustments				<u>(621)</u>
Total reconciling items				<u>(49,692)</u>
Total collections and credits				<u>\$ 6,765,667</u>

Graham County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2018

	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	\$ 1,152,277,607	0.585	\$ 6,740,824	\$ 6,271,036	\$ 469,788
Motor vehicles taxed at prior year's rate	-	0.585	-	-	-
Penalties	-		-	-	-
Total	1,152,277,607		6,740,824	6,271,036	469,788
Discoveries:					
Current year taxes	10,719,658	0.585	62,710	62,710	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Total	10,719,658		62,710	62,710	-
Abatements	(9,111,624)		(53,303)	(53,276)	(27)
Total property valuation	\$ 1,153,885,641				
Net levy			6,750,231	6,280,470	469,761
Uncollected taxes at June 30, 2018			(175,051)	(175,051)	-
Current year's taxes collected			\$ 6,575,180	\$ 6,105,419	\$ 469,761
Current levy collection percentage			97.41%	97.21%	100.00%

Secondary Market Disclosures:

Assessed valuation:				
Assessment ratio ¹				100%
Real property			\$	1,084,686,471
Personal property				34,707,593
Public service companies ²				34,491,577
Total assessed valuation			\$	1,153,885,641
Tax rate per \$100				0.585
Levy (includes discoveries, releases and abatements) ³			\$	6,750,231

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, 2018**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Brookfield Smoky Mountain	Commercial	\$ 211,716,789	18.35%
Duke Energy	Utility	38,756,841	3.36%
Cody Family and Heirs	Commercial/Residential	6,122,055	0.53%
Amos Enterprises	Commercial	5,109,760	0.44%
Crisp and Crisp Inc.	Commercial	4,915,634	0.43%
Graham County Land Company	Commercial	3,329,776	0.29%
Britthaven Inc.	Commercial	2,041,820	0.18%
Fort Hill Shopping Center	Commercial	1,962,950	0.17%
MSK Hospitality LLC	Commercial	1,950,500	0.17%
A-4 Home Center Inc.	Commercial	1,614,540	0.14%
		<u>1,614,540</u>	<u>0.14%</u>
 Total		 <u>\$ 277,520,665</u>	 <u>24.05%</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, 2018, and the related notes to the financial statements, which collectively comprises Graham County's basic financial statements, and have issued our report thereon dated December 11, 2018. The financial statements of the Tourism Development Authority and the Rural Development Authority were not audited in accordance with Governmental Auditing Standards.

Internal Control over Financial Reporting

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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
December 11, 2018

Turner & Company CPAs P.A.

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

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB 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, 2018. 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, OMB 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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of Graham County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Graham County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, as item 2018-001 that we consider to be a significant deficiency.

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

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

Turner & Company CPAs P.A.

TURNER & COMPANY CPAs P.A.

Murphy, North Carolina

December 11, 2018

Turner & Company CPAs P.A.

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

Independent Auditors' Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance; In Accordance With OMB 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, 2018. 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, 2018.

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 were not 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

December 11, 2018

**Graham County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018**

Section I - Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

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

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.

Graham County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section III - Federal Award Findings and Questioned Costs

U.S. Department of Health & Human Services

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

Finding 2018-001

SIGNIFICANT DEFICIENCY

Eligibility

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

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

Condition: Of the 96 case files examined, 18 of the case files utilized manual verification of liquid assets rather than the mandated automated Asset Verification System (AVS).

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

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

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

Context: Of the 96 case files examined, we found 18 instances of noncompliance.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2017-001.

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

Views of responsible officials and planned corrective actions: The County agrees with this finding and will adhere to the corrective action plan on page 90 in this audit report.

Section IV – State Award Findings and Questioned Costs

None noted.



Graham County Board of County Commissioners

Keith Eller
Chairman

12 North Main Street
Robbinsville, NC 28771

Connie Orr
Vice-Chairman

Jacob Nelms
Member

Phone: 828-479-7961
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Dale E. Wiggins
Member

Raymond Williams
Member

Rebecca E. Garland, MPA, CPA
County Manager

Kim Crisp
Clerk

Corrective Action Plan For the Fiscal Year Ended June 30, 2018

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

Finding 2018-001

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

Corrective Action: The Department will continue to provide more in-depth training for caseworkers regarding the NC FAST eligibility determination system and monitor whether training has been completed.

Proposed Completion Date: Ongoing

Section IV - State Award Findings and Questioned Costs

None noted.

**Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2018**

Finding 2017-001

Status: For the current fiscal year this finding is still an issue for the County, however, improvement was noted. Following the prior year audit finding, correction of procedure was made and automated Asset Verification System (AVS) was used consistently. The Finance Officer of the County remains in close contact with the DSS Director to monitor progress in all areas of DSS fiscal oversight.

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	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	\$ 86,220	\$ -	\$ -	\$ 86,220
Passed-through the N.C. Department of Health and Human Services:						
Division of Public Health:						
Administration:						
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	XXXX	56,167	-	-	-
Total U.S. Department of Agriculture			142,387	-	-	86,220
<u>U.S. Department of Transportation</u>						
Passed-through the N.C. Department of Transportation:						
Formula Grants for Other than Urbanized Areas - Administration	20.509	XXXX	121,024	7,564	-	-
<u>Transit Services Programs Cluster:</u>						
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	XXXX	60,927	4,999	-	6,940
Total Transit Services Programs Cluster			60,927	4,999	-	6,940
Total U.S. Department of Transportation			181,951	12,563	-	6,940
<u>U. S. Department of Homeland Security</u>						
Passed-through N.C. Department of Public Safety:						
Hazard Mitigation Grant Program	97.039	XXXX	38,642	-	-	-
Total U. S. Department of Homeland Security			38,642	-	-	-
<u>U.S. Department of Health & Human Services</u>						
<u>Administration on Aging</u>						
Passed-through Southwest 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	113,075	7,013	-	13,343
Nutrition Services Incentive Program	93.053	XXXX	13,570	843	-	-
Total Aging Cluster			126,645	7,856	-	13,343
Passed-through the N.C. Department of Health and Human Services:						
Division of Social Services:						
<u>Temporary Assistance for Needy Families (TANF) Cluster</u>						
TANF - Work First	93.558	XXXX	31,832	-	-	28,448
Total TANF Cluster			31,832	-	-	28,448
<u>Foster Care and Adoption Cluster</u>						
Foster Care - Title IV-E	93.658	XXXX	7,395	2,480	-	4,914
Adoption Assistance	93.659	XXXX	1,844	-	-	628
Total Foster Care and Adoption Cluster			9,239	2,480	-	5,542
Promoting Safe and Stable Families	93.556	XXXX	11,240	-	-	-
Child Support Enforcement	93.563	XXXX	58,113	-	-	29,937
Low-Income Home Energy Assistance:						
Administration						
Energy Assistance Payments- Direct Benefit Payments	93.568	XXXX	(1,465)			
Crisis Intervention Program	93.568	XXXX	36,400			
	93.568	XXXX	36,496			
Total Low-Income Home Energy Assistance			71,431	-	-	-
Chafee Foster Care Independence Program	93.674	XXXX	343	86	-	-
SSBG - Other Service and Training	93.667	XXXX	42,292	-	-	13,935

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
Division of Aging and Adult Services:						
Division of Social Services:						
SSBG - State In Home Service Fund	93.667	XXXX	7,380	-	-	2,460
Total Social Service Block Grant			49,672	-	-	16,395
Division of Child Development and Early Education:						
Subsidized Child Care Cluster(Note 3)						
<u>Child Care Development Fund Cluster:</u>						
Division of Social Services:						
Child Care Development Mandatory and Match Fund						
- Administration	93.596	XXXX	80,000	-	-	-
Total Subsidized Child Care			80,000	-	-	-
Division of Child Development:						
Child Care and Development Fund -- Match	93.596	XXXX	4,358	2,158	-	-
Total Child Care Development Fund Cluster			84,358	2,158	-	-
TANF-MOE		XXXX	-	818	-	-
Total Subsidized Child Care (Note 3)			84,358	2,976	-	-
Passed-through the N.C. Department of Health and Human Services:						
Division of Medical Assistance:						
Division of Social Services:						
Administration:						
Medical Assistance Program	93.778	XXXX	400,698	-	-	163,520
Total Medical Assistance Program			400,698	-	-	163,520
Division of Social Services:						
Administration:						
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	11,039	2	-	-
Total State Children's Insurance Program - N.C. Health Choice			11,039	2	-	-
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	25,891	-	-	-
Tuberculosis Demonstration, Research, Public and Professional Education	93.116	XXXX	29	-	-	-
Family Planning Services	93.217	XXXX	18,953	-	-	-
Teenage Pregnancy Prevention Program	93.297	XXXX	110,720	-	-	-
PPHF Capacity Building Assistance to Strengthen Public Health						
Immunization Infrastructure and Performance financed in part by						
Prevention and Public Health Funds	93.539	XXXX	5,278	-	-	-
Temporary Assistance for Needy Families	93.558	XXXX	343	-	-	-
TANF - payments and penalties	93.558	XXXX	6,957	-	-	8,510
Preventive Health and Health Services Block Grant						
funded solely with Prevention and Public						
Health Funds (PPHF)	93.758	XXXX	27,211	-	-	-
Cancer Prevention and Control Programs for State,						
Territorial and Tribal Organizations	93.898	XXXX	510	-	-	-
Maternal and Child Health Services Block Grant	93.994	XXXX	16,308	12,233	-	-
Total U.S. Department of Health and Human Services			1,066,810	25,633	-	265,695
Total federal awards			1,429,790	38,196	-	358,855
State Awards:						
<u>N.C. Department of Administration</u>						
Veterans Service		XXXX	-	2,000	-	-
Total N.C. Department of Administration			-	2,000	-	-
<u>N.C. Department of Environmental Quality</u>						
Division of Waste Management						
Scrap Tire Program		XXXX	-	13,062	-	-
Total N.C. Department of Environmental Quality			-	13,062	-	-

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
<u>N.C. Department of Health and Human Services</u>						
Division of Aging and Adult Services						
Division of Social Services						
State Foster Home		XXXX	-	5,541	-	5,541
Family Preservation Services Program		XXXX	-	65,926	-	60,571
Foster Care Services		XXXX	-	80,221	-	35,981
County Funded Service		XXXX	-	-	-	151,639
Total Division of Social Service			-	151,688	-	253,732
Division of Public Health						
Food and Lodging Fees		XXXX	-	5,237	-	-
General Aid to Counties		XXXX	-	75,101	-	-
General Communicable Disease Control		XXXX	-	11,336	-	-
Child Health		XXXX	-	6,326	-	-
HIV/STD - State		XXXX	-	500	-	-
STD Drugs		XXXX	-	47	-	-
Breast and Cervical Cancer Control		XXXX	-	4,335	-	-
School Nurse Funding Initiative		XXXX	-	50,000	-	-
Family Planning		XXXX	-	1,709	-	-
High Risk Maternity Clinics			-	2,081	-	-
TB Control			-	437	-	-
Total Division of Public Health			-	157,109	-	-
Total N. C. Department of Health and Human Services			-	308,797	-	253,732

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
<u>N.C. Department of Information Technology</u>						
911 Relocation and Refreshment Project Grant		XXXX	-	1,605,608	-	-
Total N.C. Department of Information Technology			-	1,605,608	-	-
<u>N.C. Department of Public Instruction</u>						
Public School Building Capital Fund - Lottery Proceeds		XXXX	-	-	68,593	-
Total N.C. Department of Public Instruction			-	-	68,593	-
<u>NC Department of Public Safety</u>						
Division of Juvenile Justice and Delinquency Prevention						
Juvenile Crime Prevention Programs		XXXX	-	-	55,463	-
Total NC Department of Public Safety			-	-	55,463	-
<u>N.C. Department of Transportation</u>						
Rural Operating Assistance Program (ROAP)						
- ROAP Elderly and Disabled Transportation Assistance Program		XXXX	-	48,329	-	-
- ROAP Rural General Public Program		XXXX	-	45,558	-	-
- ROAP Work First Transitional - Employment		XXXX	-	4,961	-	-
Total ROAP Cluster			-	98,848	-	-
Total State awards			-	2,028,315	124,056	253,732
Total federal and State awards			\$ 1,429,790	\$ 2,066,511	\$ 124,056	\$ 612,587

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, 2018. 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: Loans Outstanding

Graham County had the following loan balances outstanding at June 30, 2018 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2018 consist of:

Program Title	Pass-through		Amount Outstanding
	CFDA Number	Grantor's Number	
	10.766	XXXX	\$ 436,277

Note 5: Cluster of Programs

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