

REVIEWED

By SLGFD at 1:10 pm, Mar 09, 2022

Graham County, North Carolina

Financial Statements

June 30, 2021

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
As of the Date of the Auditors' Report

BOARD OF COUNTY COMMISSIONERS

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

COUNTY OFFICIALS

Jason Marino - County Manager
Rebecca E. Garland, MPA, CPA - Director of Finance
Kim Crisp - Clerk to the Board
Kimberly D. LeQuire - Register of Deeds
Brandy Cook - Tax Assessor
Tajuana Ledwell - Tax Collector
Jerry Crisp - 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, 2021, 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, 2021, 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.

Change in Accounting Principle

As described in Note VII to the financial statements, effective July 1, 2020, the entity adopted new accounting guidance promulgated in GASB Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 9, the Local Government Employees' Retirement System schedules of the County's Proportionate Share of Net Pension Liability (Asset) and the County Contributions, pages 50 and 51, the Register of Deeds' Supplemental Pension Fund schedules of the County's Proportionate Share of the Net Pension Asset and the County Contributions on pages 52 and 53, 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 54 and 55 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*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund 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 March 1, 2022 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.
Murphy, North Carolina

March 1, 2022

Management's Discussion and Analysis

Graham County, North Carolina
Management's Discussion and Analysis
June 30, 2021

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, 2021. 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

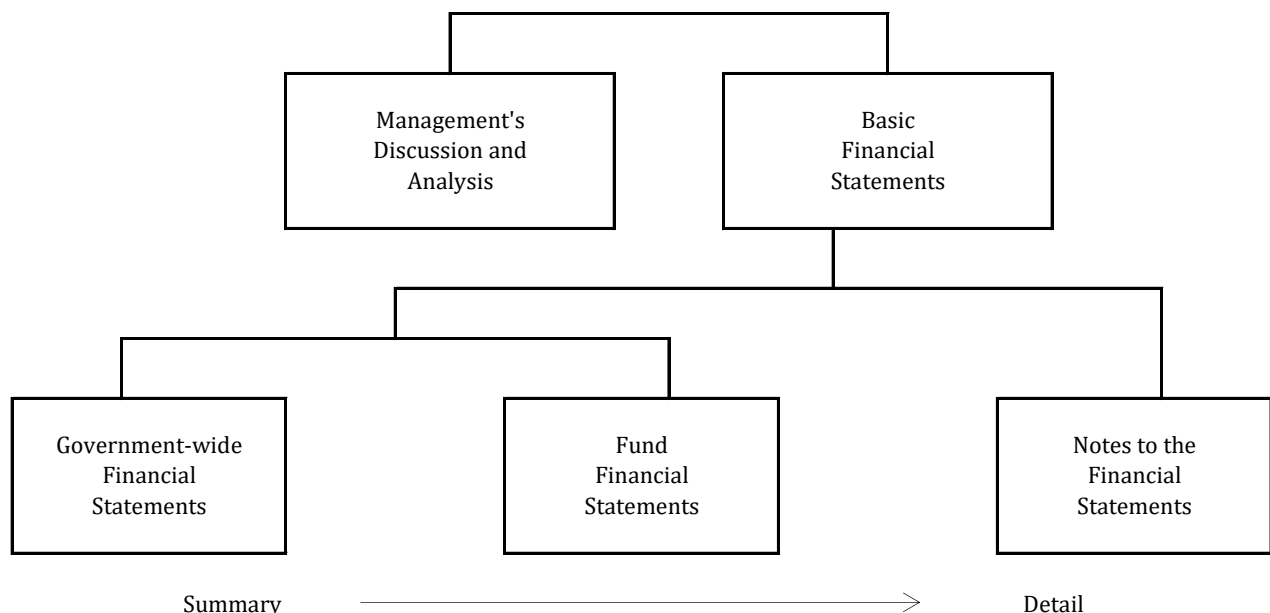
- The assets and deferred outflows of resources of Graham County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$23,771,911 (net position).
- The government's total net position increased by \$1,406,310.
- As of the close of the current fiscal year, Graham County's governmental funds reported combined ending fund balances of \$12,749,673, after a net increase in fund balance of \$1,446,979. Approximately 43.38 percent of this total amount, or \$5,530,584, is restricted or nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,202,175, or 44.29 percent of total general fund expenditures for the fiscal year.
- Graham County's total debt decreased by \$600,049 (14.84%) during the current fiscal year. The County incurred one additional capital lease for a new phone system and one additional direct placement installment purchase for IT equipment for the Sheriff's Office. The primary factor in the net decrease in debt was due to the scheduled principal payments on debt already outstanding from the prior fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the total of the County's assets and deferred outflows of resources and the 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 two discretely presented component units: the Graham County Travel and Tourism Authority and the Graham County Rural Development Authority.

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 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 three fiduciary funds, all of which are custodial 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 20 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the enhanced accounting and financial reporting related to pensions for governments. Required supplementary information can be found beginning on page 49 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23,771,911 as of June 30, 2021. The County's net position increased by \$1,406,310 for the fiscal year ended June 30, 2021. One of the largest portions \$13,053,633 (54.91%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Graham County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Graham County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Graham County's net position \$2,906,550 (12.23%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,811,728 (32.86%) is unrestricted.

Graham County, North Carolina's Net Position
Figure 2

| | Governmental Activities | |
|---|--------------------------------|---------------|
| | 2021 | 2020 |
| Current and other assets | \$ 15,280,209 | \$ 12,630,457 |
| Capital assets | 15,627,816 | 15,915,970 |
| Deferred outflows of resources | 1,333,352 | 1,009,053 |
| Total assets and deferred outflows of resources | 32,241,377 | 29,555,480 |
| Long-term liabilities outstanding | 4,886,918 | 5,122,808 |
| Other liabilities | 3,312,078 | 1,918,800 |
| Deferred inflows of resources | 270,470 | 229,862 |
| Total liabilities and deferred inflows of resources | 8,469,466 | 7,271,470 |
| Net position: | | |
| Net investment in capital assets | 13,053,633 | 13,091,308 |
| Restricted | 2,906,550 | 3,027,314 |
| Unrestricted | 7,811,728 | 6,165,388 |
| Total net position | \$ 23,771,911 | \$ 22,284,010 |

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 97.83%, which is lower than the statewide average of 98.83%, and slightly higher than the county average of 96.99% for counties with populations of 24,999 and below. The collection percentage increased slightly in the current fiscal year.
- Continued pay down of debt balances positively influenced net position.
- The County has maintained stricter policies on spending and implemented cost savings measures despite an increase in overall expenditures.

Graham County, North Carolina's Changes in Net Position
Figure 3

| | Governmental Activities | |
|--|--------------------------------|----------------------|
| | 2021 | 2020 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 2,025,120 | \$ 1,796,178 |
| Operating grants and contributions | 4,807,342 | 3,788,128 |
| Capital grants and contributions | 677,983 | 171,571 |
| General revenues: | | |
| Property taxes | 7,844,296 | 7,697,023 |
| Other taxes | 2,990,474 | 2,508,352 |
| Grants and contributions not restricted to specific programs | 840,712 | 870,663 |
| Investment earnings, unrestricted | 7,570 | 48,023 |
| Other | 59,676 | 57,896 |
| Total revenues | <u>19,253,173</u> | <u>16,937,834</u> |
| Expenses: | | |
| General government | 3,716,554 | 3,628,834 |
| Public safety | 5,846,828 | 5,901,268 |
| Economic and physical development | 241,662 | 208,469 |
| Human services | 5,417,464 | 4,862,317 |
| Cultural and recreational | 450,277 | 475,757 |
| Education | 2,071,214 | 1,449,764 |
| Interest on long-term debt | 102,864 | 109,848 |
| Total expenses | <u>17,846,863</u> | <u>16,636,257</u> |
| Change in net position | <u>1,406,310</u> | <u>301,577</u> |
| Net position, beginning previously reported | 22,284,010 | 22,011,916 |
| Net position, beginning, restated | <u>22,365,601</u> | <u>21,982,433</u> |
| Net position, ending | <u>\$ 23,771,911</u> | <u>\$ 22,284,010</u> |

Governmental Activities. Governmental activities increased the County's net position by \$1,406,310. Key elements of this increase are as follows:

- Diligence in the collection of property taxes was demonstrated by maintaining a tax collection percentage of 97.83%.
- The County also received an increase in operating grants and contributions, having received additional funds in the public safety and human services departments, much of which related to COVID funds.
- The \$506,412 increase in capital grants and contributions was primarily due to an increase in funds received from the Needs-Based Public School Capital Fund.
- Charges for services increased primarily due an increase in fees from medical servcies.
- Total expenditures increased due to additional costs in salary and related expenses as a result of COVID-19.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of Graham County. At the end of the current fiscal year, Graham County's fund balance available in the General Fund was \$8,078,494 while total fund balance reached \$9,435,867. 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 46.04% of general fund expenditures (as adjusted), while total fund balance represents 53.77% of that same amount.

At June 30, 2021, the governmental funds of Graham County reported a combined fund balance of \$12,749,673, a 12.80% decrease from last year. This decrease was attributed to the slight increase in expenditures not being supported by current revenue streams.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased overall revenues by \$1,427,141.

Capital Asset and Debt Administration

Capital Assets. Graham County's capital assets for its governmental activities as of June 30, 2021, total \$15,627,816 (net of accumulated depreciation). These assets include land, construction in progress, buildings, other improvements, equipment and furniture, and vehicles and motorized equipment.

Major capital asset transactions during the year included:

- Purchased a 2021 Mack front loader garbage truck for \$276,294.
- Purchased a radio system for the 911 Fund for \$49,064.
- Purchased LUCAS chest compression systems for ambulances for \$68,442.
- Purchased a Mac walking trailer for \$74,518.
- Purchased a 2021 Ford F-150 for Emergency Management for \$41,038.
- Purchased a 2020 Ford Explorer for Paramedicine for \$49,601.
- Purchased a Medpod for Paramedicine for \$25,500.
- Purchased two 2020 Ford Escapes for the Senior Citizens Center for \$45,807.
- Purchased two 2020 Nissan Pathfinders for the Transit Department for \$60,169.

**Graham County, North Carolina's Capital Assets
(net of depreciation)
Figure 4**

| Governmental Activities: | 2021 | 2020 |
|----------------------------------|----------------------|----------------------|
| Land | \$ 1,798,099 | \$ 1,798,099 |
| Construction in progress | 9,300 | - |
| Buildings | 10,651,912 | 11,003,034 |
| Other improvements | 827,472 | 870,830 |
| Equipment and furniture | 1,372,941 | 1,409,919 |
| Vehicles and motorized equipment | 968,092 | 834,088 |
| Total | <u>\$ 15,627,816</u> | <u>\$ 15,915,970</u> |

Construction commitments

The government has active construction projects as of June 30, 2021. The projects include school construction and the NC Neighborhood project. At year-end, the government's commitments with contractors are as follows:

| Project | Spent-to-date | Remaining Commitment |
|---|-------------------|-------------------------|
| NC Neighborhood Program Grant Projects Fund | \$ 56,614 | \$ 1,593,386 |
| School Capital Project Fund | 842,892 | 3,423,775 |
| Total | <u>\$ 899,506</u> | <u>\$ 5,017,161</u> |

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

Long-Term Obligations. Debt totals include general obligation bonds, direct placement installment purchases, and capital leases. As of June 30, 2021, Graham County had total debt outstanding of \$3,444,280. 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: | 2021 | 2020 |
|--|--------------|--------------|
| General obligation bonds | \$ 518,000 | \$ 781,000 |
| Capitalized leases | 39,266 | 79,298 |
| Direct placement installment purchases | 2,887,014 | 3,184,031 |
| Total debt outstanding | 3,444,280 | 4,044,329 |
| Compensated absences | 406,437 | 391,897 |
| Net pension liability (LGERS) | 2,174,430 | 1,609,878 |
| Total pension liability (LEOSSA) | 114,456 | 35,755 |
| Total long-term obligations | \$ 6,139,603 | \$ 6,081,859 |

Graham County's total debt decreased by \$600,049 (14.84%) during the current fiscal year. The County incurred one additional capital lease for a new phone system and one additional direct placement installment purchase for IT equipment for the Sheriff's Office. 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, 2021 the County had debt outstanding of \$870,097 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 \$92,861,862.

Additional information regarding Graham County'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.

- County leaders enforce stringent controls over spending to help maintain reserves during the current state of the economy.
- The unemployment rate for Graham County is 6.5% as of June 2021, which is higher than the state average of 4.9%.

Impact of Coronavirus on the County

As of June 30, 2021, the County had endured several months of the coronavirus (COVID-19) pandemic. The County has taken several measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for personnel. In May 2021, the County received \$819,783 of its \$1,639,565 allocation of Coronavirus State and Local Fiscal Recovery Funds from the Treasury to meet pandemic response needs. Since the length or severity of this pandemic cannot be reasonably estimated it is not possible to determine the extent to which the pandemic may materially impact the financial position, results of activities, and cash flows of the County in subsequent years. The County will continue to operate under guidelines suggested for the health and safety of workers and the community and will carefully monitor expenses in the upcoming fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2022

The property tax rate was maintained at \$.65 per \$100 valuation to maintain current current tax revenue streams. The County did appropriate \$411,979 in fund balance for the fiscal year 2022 budget. Expenditures for the 2021-22 budget increased approximately \$2.8 million over the prior year primarily due to the following: it included a 3% Cost of Living Adjustment as representative in the region which represents a \$225,000 increase in the budgeted payroll and benefits expenditures; restored appropriations to community organizations back to pre-covid levels; expenditures reflect grant funding for the paramedicine program; transit services expenditures expected to increase \$238,000, all state and federal grants funded; public safety expenditures increased \$735,000 over pre-covid levels which is County funded; health and human service expenditures increased \$496,331 of which 80% is funded by state and federal dollars; and cultural and recreation increased \$88,000 due to unfunded mandates from North Carolina A&T State University's Cooperative Extension cost share to better fund expansion of recreation services in the county. The County reduced other areas of the budget to help compensate for the increases.

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:

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Basic Financial Statements

Graham County, North Carolina
Statement of Net Position
June 30, 2021

Exhibit 1

| | Primary Government | Component Units | |
|---|------------------------------------|---|--|
| | Governmental Activities | Travel and Tourism Authority | Rural Development Authority |
| ASSETS | | | |
| Cash and cash equivalents | \$ 7,517,067 | \$ 466,836 | \$ 132,834 |
| Investments | 1,617,521 | - | - |
| Restricted cash and cash equivalents | 1,908,880 | 80,874 | 470,000 |
| Restricted investments | 2,597,669 | - | - |
| Receivables, net | 342,944 | 68,979 | - |
| Due from other governments | 1,230,360 | 1,368 | - |
| Due from primary government | - | 368 | - |
| Assets held for resale | - | - | 11,558 |
| Prepaid items | 20,620 | - | - |
| Net pension asset | 45,148 | - | - |
| Capital assets: | | | |
| Land and construction in progress | 1,807,399 | - | 192,956 |
| Other capital assets, net of depreciation | 13,820,417 | - | - |
| Total capital assets | 15,627,816 | - | 192,956 |
| Total assets | 30,908,025 | 618,425 | 807,348 |
| DEFERRED OUTFLOWS OF RESOURCES | 1,333,352 | - | - |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 621,401 | 8,068 | - |
| Payable from restricted assets | 444,746 | - | - |
| Due to other governments | 17,388 | - | - |
| Due to component unit | 368 | - | - |
| Unearned revenue | 944,644 | - | 470,000 |
| Accrued interest payable | 30,846 | - | - |
| Due within one year | 1,252,685 | - | 134,467 |
| Total current liabilities: | 3,312,078 | 8,068 | 604,467 |
| Long-term liabilities: | | | |
| Due in more than one year | 4,886,918 | - | - |
| Total long-term liabilities: | 4,886,918 | - | - |
| Total liabilities | 8,198,996 | 8,068 | 604,467 |
| DEFERRED INFLOWS OF RESOURCES | 270,470 | - | - |
| NET POSITION | | | |
| Net investment in capital assets | 13,053,633 | - | 58,489 |
| Restricted for: | | | |
| Debt service | 15,039 | - | - |
| Law enforcement | 107,617 | - | - |
| Public safety | 291,263 | - | - |
| Economic development | 182,324 | - | - |
| Register of deeds | 84,304 | - | - |
| Stabilization by State statute | 1,958,670 | 70,715 | 44,069 |
| Register of deeds pension plan | 45,148 | - | - |
| Courts | 2,889 | - | - |
| Human services | 219,296 | - | - |
| Unrestricted | 7,811,728 | 539,642 | 100,323 |
| Total net position | \$ 23,771,911 | \$ 610,357 | \$ 202,881 |

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, 2021

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|----------------------|------------------------------|-----------------------------|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Component Units | | |
| | | | | | Governmental Activities | Total | Travel and Tourism Authority | Rural Development Authority | |
| Primary government: | | | | | | | | | |
| Governmental Activities: | | | | | | | | | |
| General government | \$ 3,716,554 | \$ 228,603 | \$ 35,599 | \$ - | \$ (3,452,352) | \$ (3,452,352) | \$ - | \$ - | |
| Public safety | 5,846,828 | 882,277 | 928,608 | - | (4,035,943) | (4,035,943) | - | - | |
| Economic and physical development | 241,662 | 8,220 | 42,121 | - | (191,321) | (191,321) | - | - | |
| Human services | 5,417,464 | 870,036 | 3,593,667 | 52,548 | (901,213) | (901,213) | - | - | |
| Cultural and recreation | 450,277 | 35,984 | 48,065 | - | (366,228) | (366,228) | - | - | |
| Education | 2,071,214 | - | 159,282 | 625,435 | (1,286,497) | (1,286,497) | - | - | |
| Interest on long-term debt | 102,864 | - | - | - | (102,864) | (102,864) | - | - | |
| Total governmental activities | <u>\$ 17,846,863</u> | <u>\$ 2,025,120</u> | <u>\$ 4,807,342</u> | <u>\$ 677,983</u> | <u>(10,336,418)</u> | <u>(10,336,418)</u> | <u>-</u> | <u>-</u> | |
| Component units: | | | | | | | | | |
| Travel and Tourism Authority | \$ 288,469 | \$ - | \$ - | \$ - | | | \$ (288,469) | \$ - | |
| Rural Development Authority | 10,332 | - | - | - | | | - | (10,332) | |
| Total component units | <u>\$ 298,801</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | | <u>(288,469)</u> | <u>(10,332)</u> | |
| General revenues: | | | | | | | | | |
| Taxes: | | | | | | | | | |
| Property taxes, levied for general purpose | | | | | 7,844,296 | 7,844,296 | 407,709 | - | |
| Local option sales tax | | | | | 2,931,460 | 2,931,460 | - | - | |
| Other taxes and licenses | | | | | 59,014 | 59,014 | - | - | |
| Grants and contributions not restricted to specific programs | | | | | 840,712 | 840,712 | - | - | |
| Investment earnings, unrestricted | | | | | 7,570 | 7,570 | 430 | 141 | |
| Miscellaneous, unrestricted | | | | | 59,676 | 59,676 | 31,533 | - | |
| Total general revenues excluding transfers and special items | | | | | <u>11,742,728</u> | <u>11,742,728</u> | <u>439,672</u> | <u>141</u> | |
| Change in net position | | | | | 1,406,310 | 1,406,310 | 151,203 | (10,191) | |
| Net position, beginning previously reported | | | | | 22,284,010 | 22,284,010 | 459,154 | 213,072 | |
| Prior period adjustment/restatement | | | | | 81,591 | 81,591 | - | - | |
| Net position, beginning as restated | | | | | <u>22,365,601</u> | <u>22,365,601</u> | <u>459,154</u> | <u>213,072</u> | |
| Net position, ending | | | | | <u>\$ 23,771,911</u> | <u>\$ 23,771,911</u> | <u>\$ 610,357</u> | <u>\$ 202,881</u> | |

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

Graham County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

Exhibit 3

| | Major | | | | | | |
|---|----------------------|---------------------|------------------|-------------------|-------------------|-------------------|----------------------|
| | | Public | NC | | American | | |
| | | Building | Neighborhood | School | Recovery | | |
| | | Capital | Program | Capital | Grant | | |
| | | Projects | Capital | Projects | Project | | |
| | General | Fund | Fund | Fund | Fund | Total | Total |
| | | | | | | Nonmajor | Governmental |
| | | | | | | Funds | Funds |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 7,368,362 | \$ 10,783 | \$ - | \$ - | \$ - | \$ 137,922 | \$ 7,517,067 |
| Investments | 1,617,521 | - | - | - | - | - | 1,617,521 |
| Restricted cash and cash equivalents | 535,791 | - | 47,767 | 42,398 | 819,859 | 463,065 | 1,908,880 |
| Restricted investments | 114,172 | 2,483,497 | - | - | - | - | 2,597,669 |
| Receivables, net | | | | | | | |
| Taxes | 286,179 | - | - | - | - | - | 286,179 |
| Accounts | 21,628 | - | - | - | - | 6,383 | 28,011 |
| Due from other governments | 786,196 | - | 22,583 | 414,814 | - | 6,767 | 1,230,360 |
| Due from other funds | 15,300 | - | - | - | - | 171,370 | 186,670 |
| Prepaid items | 20,620 | - | - | - | - | - | 20,620 |
| Total assets | <u>\$ 10,765,769</u> | <u>\$ 2,494,280</u> | <u>\$ 70,350</u> | <u>\$ 457,212</u> | <u>\$ 819,859</u> | <u>\$ 785,507</u> | <u>\$ 15,392,977</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable and accrued liabilities | \$ 621,036 | \$ - | \$ - | \$ - | \$ - | \$ 365 | \$ 621,401 |
| Payable from restricted assets | - | - | 7,283 | 437,463 | - | - | 444,746 |
| Due to other governments | - | - | - | - | - | 17,388 | 17,388 |
| Due to other funds | 171,370 | - | 15,300 | - | - | - | 186,670 |
| Due to component unit | 368 | - | - | - | - | - | 368 |
| Unearned revenue | 109,041 | - | - | - | 819,783 | 15,820 | 944,644 |
| Total liabilities | <u>901,815</u> | <u>-</u> | <u>22,583</u> | <u>437,463</u> | <u>819,783</u> | <u>33,573</u> | <u>2,215,217</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Property taxes receivable | 286,179 | - | - | - | - | - | 286,179 |
| Unearned revenue | 141,908 | - | - | - | - | - | 141,908 |
| Total deferred inflows of resources | <u>428,087</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>428,087</u> |
| Fund balances: | | | | | | | |
| Nonspendable | | | | | | | |
| Prepaid items | 20,620 | - | - | - | - | - | 20,620 |
| Restricted | | | | | | | |
| Stabilization by State statute | 1,336,753 | - | 22,583 | 414,814 | - | 184,520 | 1,958,670 |
| Register of deeds | 84,304 | - | - | - | - | - | 84,304 |
| Human services | 98,762 | - | - | - | - | 120,534 | 219,296 |
| Law enforcement | 107,617 | - | - | - | - | - | 107,617 |
| Public safety | - | - | - | - | 76 | 291,187 | 291,263 |
| Economic development | 1,447 | - | 25,184 | - | - | 155,693 | 182,324 |
| Courts | 2,889 | - | - | - | - | - | 2,889 |
| USDA reserve | 15,039 | - | - | - | - | - | 15,039 |
| Committed | | | | | | | |
| Capital projects | - | 2,494,280 | - | - | - | - | 2,494,280 |
| Tax revaluation | 154,282 | - | - | - | - | - | 154,282 |
| Assigned | | | | | | | |
| Subsequent year's expenditures | 411,979 | - | - | - | - | - | 411,979 |
| Unassigned | 7,202,175 | - | - | (395,065) | - | - | 6,807,110 |
| Total fund balances | <u>9,435,867</u> | <u>2,494,280</u> | <u>47,767</u> | <u>19,749</u> | <u>76</u> | <u>751,934</u> | <u>12,749,673</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 10,765,769</u> | <u>\$ 2,494,280</u> | <u>\$ 70,350</u> | <u>\$ 457,212</u> | <u>\$ 819,859</u> | <u>\$ 785,507</u> | <u>\$ 15,392,977</u> |

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

Graham County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

Exhibit 3

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

| | |
|--|----------------------|
| Total Fund Balance, Governmental Funds | \$ 12,749,673 |
| Charges related to advance refunding bond issue | 10,048 |
| Interest receivable accrued on property taxes are not current financial resources and therefore are not reported in the funds | 28,754 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds | 15,627,816 |
| Net pension asset | 45,148 |
| Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position | 481,984 |
| Net pension liability | (2,174,430) |
| Total pension liability | (114,456) |
| Deferred inflows of resources for taxes | 286,179 |
| Pension related deferrals | 712,758 |
| 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 | (30,846) |
| Long-term obligations | (3,850,717) |
| Net position of governmental activities | <u>\$ 23,771,911</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
Governmental Funds
For the Fiscal Year Ended June 30, 2021

Exhibit 4

| | Major | | | | | | |
|---|--------------|---------------------------------------|---|------------------------------|--------------------------------------|----------------------|--------------------------|
| | General | Public Building Capital Projects Fund | NC Neighborhood Program Capital Projects Fund | School Capital Projects Fund | American Recovery Grant Project Fund | Total Nonmajor Funds | Total Governmental Funds |
| REVENUES | | | | | | | |
| Ad valorem taxes | \$ 7,913,436 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 7,913,436 |
| Local option sales taxes | 2,931,460 | - | - | - | - | - | 2,931,460 |
| Other taxes and licenses | 59,014 | - | - | - | - | - | 59,014 |
| Unrestricted intergovernmental | 840,712 | - | - | - | - | - | 840,712 |
| Restricted intergovernmental | 4,040,274 | - | 42,121 | 625,435 | - | 693,104 | 5,400,934 |
| Other restricted revenue | 84,794 | - | - | - | - | - | 84,794 |
| Permits and fees | 222,522 | - | - | - | - | 11,251 | 233,773 |
| Sales and services | 1,754,631 | - | - | - | - | 36,313 | 1,790,944 |
| Investment earnings | 6,769 | 353 | 36 | - | 76 | 336 | 7,570 |
| Miscellaneous | 59,676 | - | - | - | - | - | 59,676 |
| Total revenues | 17,913,288 | 353 | 42,157 | 625,435 | 76 | 741,004 | 19,322,313 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | 3,510,295 | 9,300 | - | - | - | 27,568 | 3,547,163 |
| Public safety | 5,559,972 | - | - | - | - | 381,074 | 5,941,046 |
| Economic and physical development | 193,114 | - | 42,121 | - | - | 1,806 | 237,041 |
| Human services | 4,823,637 | - | - | - | - | 332,896 | 5,156,533 |
| Cultural and recreational | 402,326 | - | - | - | - | - | 402,326 |
| Intergovernmental: | | | | | | | |
| Education | 1,617,526 | - | - | 818,264 | - | - | 2,435,790 |
| Special appropriations | 155,435 | - | - | - | - | - | 155,435 |
| Total expenditures | 16,262,305 | 9,300 | 42,121 | 818,264 | - | 743,344 | 17,875,334 |
| Excess (deficiency) of revenues over expenditures | 1,650,983 | (8,947) | 36 | (192,829) | 76 | (2,340) | 1,446,979 |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers from other funds | - | 1,076,376 | - | 208,478 | - | - | 1,284,854 |
| Transfers to other funds | (1,284,854) | - | - | - | - | - | (1,284,854) |
| Total other financing sources (uses) | (1,284,854) | 1,076,376 | - | 208,478 | - | - | - |
| Net change in fund balances | 366,129 | 1,067,429 | 36 | 15,649 | 76 | (2,340) | 1,446,979 |
| Fund balances, beginning as previously reported | 9,123,369 | 1,426,851 | - | 4,100 | - | 666,783 | 11,221,103 |
| Prior period adjustment | (53,631) | - | 47,731 | - | - | 87,491 | 81,591 |
| Fund balances, beginning as restated | 9,069,738 | 1,426,851 | 47,731 | 4,100 | - | 754,274 | 11,302,694 |
| Fund balances, ending | \$ 9,435,867 | \$ 2,494,280 | \$ 47,767 | \$ 19,749 | \$ 76 | \$ 751,934 | \$ 12,749,673 |

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, 2021

Exhibit 5

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

| | |
|--|----------------------------|
| Net changes in fund balances - total governmental funds | \$ 1,446,979 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | |
| Capital outlay expenditures which were capitalized | 802,124 |
| Depreciation expense for governmental assets | (1,090,278) |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | 481,984 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds | |
| Change in unavailable revenue for tax revenues | (69,140) |
| Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not current financial resources | (5,024) |
| 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. | |
| Principal payments on long-term debt | 600,049 |
| Change in accrued interest payable | 2,163 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | |
| Compensated absences | (14,540) |
| Pension expense | (748,007) |
| Total changes in net position of governmental activities | <u><u>\$ 1,406,310</u></u> |

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

Graham County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2021

| | General Fund | | | |
|---|--------------------|-----------------|--------------|------------------------------------|
| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | | |
| Ad valorem taxes | \$ 7,341,380 | \$ 7,581,207 | \$ 7,913,436 | \$ 332,229 |
| Local option sales taxes | 1,526,974 | 1,909,454 | 2,931,460 | 1,022,006 |
| Other taxes and licenses | 43,996 | 53,800 | 59,014 | 5,214 |
| Unrestricted intergovernmental | 827,000 | 827,000 | 840,712 | 13,712 |
| Restricted intergovernmental | 3,261,120 | 3,834,856 | 4,040,274 | 205,418 |
| Other restricted revenues | 19,000 | 157,789 | 84,794 | (72,995) |
| Permits and fees | 132,600 | 186,200 | 222,522 | 36,322 |
| Sales and services | 1,794,900 | 1,823,805 | 1,754,631 | (69,174) |
| Investment earnings | 12,590 | 12,590 | 6,638 | (5,952) |
| Miscellaneous | 15,000 | 15,000 | 59,676 | 44,676 |
| Total revenues | 14,974,560 | 16,401,701 | 17,913,157 | 1,511,456 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,177,113 | 3,566,687 | 3,421,849 | 144,838 |
| Public safety | 5,161,625 | 5,645,311 | 5,559,972 | 85,339 |
| Economic and physical development | 198,113 | 206,313 | 193,114 | 13,199 |
| Human services | 4,966,817 | 5,104,254 | 4,823,637 | 280,617 |
| Cultural and recreational | 431,026 | 437,276 | 402,326 | 34,950 |
| Special appropriations | 91,063 | 155,863 | 155,435 | 428 |
| Intergovernmental: | | | | |
| Education | 1,490,100 | 1,617,598 | 1,617,526 | 72 |
| Total expenditures | 15,515,857 | 16,733,302 | 16,173,859 | 559,443 |
| Revenues over (under) expenditures | (541,297) | (331,601) | 1,739,298 | 2,070,899 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (939,961) | (1,334,854) | (1,334,854) | - |
| Proceeds from long term debt issue | 130,000 | 371,650 | - | (371,650) |
| Total other financing sources (uses) | (809,961) | (963,204) | (1,334,854) | (371,650) |
| Fund balance appropriated | 1,351,258 | 1,294,805 | - | (1,294,805) |
| Net change in fund balance | \$ - | \$ - | 404,444 | \$ 404,444 |
| | | | | |
| Fund balances, beginning as previously reported | | | 8,930,772 | |
| Prior period adjustment | | | (53,631) | |
| Fund balances, beginning as restated | | | 8,877,141 | |
| Fund balances, ending | | | \$ 9,281,585 | |

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, 2021

| | Custodial Funds |
|---|--------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 9,925 |
| LIABILITIES AND NET POSITION | |
| LIABILITIES | |
| Due to others | 4,604 |
| Due to other governments | 3,275 |
| Total liabilities | 7,879 |
| NET POSITION | |
| Restricted for: | |
| Individuals, organizations, and other governments | 2,046 |
| Total fiduciary net position | \$ 2,046 |

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

Graham County, North Carolina
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2021

| | Custodial Funds |
|---|------------------------|
| ADDITIONS | |
| Ad valorem taxes collected for other governments | \$ 544,792 |
| Collection on behalf of inmates | 4,554 |
| Total additions | <u>549,346</u> |
| DEDUCTIONS | |
| Tax distributions to other governments | 544,792 |
| Payments on behalf of inmates | 3,236 |
| Total deductions | <u>548,028</u> |
| Net increase (decrease) in fiduciary net position | 1,318 |
| Net position, beginning as previously reported | - |
| Prior period restatement - change in accounting principle | 728 |
| Net position, beginning as restated | <u>728</u> |
| Net position - ending | <u><u>\$ 2,046</u></u> |

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

Graham County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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Graham County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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Graham County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Discretely Presented Component Units

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

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

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

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

The County reports the following major governmental funds:

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

American Recovery Grant Project Special Revenue Fund (ARPA). The federal government signed into law the American Rescue Plan Act on March 11, 2021, and established the Coronavirus State and Local Fiscal Recovery Funds program, to provide support to State, territorial, local, and Tribal governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses. This fund accounts for such expenses.

NC Neighborhood Program Grant Projects Special Revenue Fund. This fund which is reported as a special revenue fund accounts for the revenues and expenditures to rehabilitate owner-occupied homes for County residents with low-income and severe housing needs and to provide community development assistance as a response to the COVID-19 public health emergency. These projects are funded by the North Carolina Department of Commerce, North Carolina General Assembly Special Appropriations, Community Development Block Grants (CDBG), and the North Carolina Neighborhood Program.

Public Building Capital Projects Fund (formerly known as the Phillips and Jordan Building Capital Project Fund). This fund accounts for the additions and improvements of major County facilities which are financed by transfers from the general fund, bond proceeds, and financing agreements.

School Capital Projects Fund. This fund accounts for capital outlay for the Graham County school system which are financed by grant monies from the Needs-Based State Public School Building Capital Fund and transfers from the general fund.

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

Custodial Funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following custodial funds: the Municipal Tax Fund, which accounts for ad valorem and vehicle property taxes that are billed and collected by the County for various municipalities within the County but that are not revenues to the County, the Jail Inmate Pay Fund, which holds cash deposited for the benefit of incarcerated inmates, and the 4-H Club Fund, which accounts for monies held by the County for the benefit of 4-H activities.

Nonmajor Funds. The County maintains six legally budgeted nonmajor funds. The Emergency Telephone System, Economic Development (EDC), Representative Payee, Fines and Forfeitures, Deed of Trust, and the CARES Act Grant Project Fund are reported as nonmajor special revenue funds.

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

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. 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 System, Economic Development, Representative Payee, Fines and Forfeitures, Deed of Trust, and Revaluation special revenue funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for those capital projects funds and special revenue funds which do not adopt annual budgets and lapse at the end of each respective project.

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the County, T&T, and RDA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The County, T&T, and RDA's investments are carried at fair value. The North Carolina Capital Management Trust (NCCMT) is a SEC registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Graham County Restricted Investments

| | | |
|--|-----------------------------------|---------------------|
| Governmental Activities | | |
| Public Building Capital Projects Fund | Reserved for capital expenditures | \$ 2,483,497 |
| Total Governmental Activities Restricted Investments | | <u>\$ 2,483,497</u> |

Graham County Restricted Cash and Cash Equivalents

| | | |
|--|--|---------------------|
| Governmental Activities | | |
| General Fund | Facility Fund | \$ 2,889 |
| | Register of Deeds AE&P Fund | 84,304 |
| | Duke Energy STW/Shareholder FDS | 6,168 |
| | Unexpended grant proceeds - DSS Duke COVID-19 | 299 |
| | Unexpended grant proceeds - ARC | 1,447 |
| | Unexpended grant proceeds - transit | 98,762 |
| | 4-H youth education | 18,364 |
| | Sheriff - impound fees | 19,765 |
| | Sheriff - concealed handgun permit fees | 87,499 |
| | Sheriff's Office Trust | 353 |
| | Sheriff NC Drug Tax | 1,658 |
| | Sheriff Federal Drug | 2,065 |
| | Soil and Water Conservation | 36,518 |
| | USDA Reserve - condition of loan | 15,039 |
| | Tax revaluation | 160,661 |
| Total General Fund Restricted Cash and Cash Equivalents | | <u>535,791</u> |
| American Recovery Grant Project Fund | Unexpended grant proceeds - ARPA | 819,859 |
| School Capital Project Fund | Unexpended grant proceeds - Needs Based PSBCF | 42,398 |
| Economic Development Fund | Unexpended grant proceeds - Golden LEAF | 155,693 |
| CARES Act Grant Project Fund | Unexpended grant proceeds - CARES Act | 15,820 |
| NC Neighborhood Program Fund | Unexpended grant proceeds - low-income housing | 47,767 |
| Emergency Telephone System Fund | 911 emergency service | 291,552 |
| Total Governmental Activities Restricted Cash and Cash Equivalents | | <u>\$ 1,908,880</u> |

Discretely presented component units

Graham County Travel & Tourism Authority

| | | |
|-------------------------|-----------------|------------------|
| Governmental Activities | | |
| General Fund | Capital reserve | <u>\$ 80,874</u> |

Graham County Rural Development Authority

| | | |
|--|---------------------------|-------------------|
| Governmental Activities | | |
| Moose Branch Road Capital Project Fund | Unexpended grant proceeds | <u>\$ 470,000</u> |

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

Discretely presented component units*Graham County Rural Development Authority*

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

7. Capital Assets

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

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

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

| | <u>Years</u> |
|----------------------------------|--------------|
| Buildings | 5 - 40 |
| Other improvements | 5 - 40 |
| Equipment and furniture | 3 - 20 |
| Vehicles and motorized equipment | 3 - 10 |

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

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

8. Unearned Revenue

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

9. Deferred Outflows/Inflows of Resources

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

10. Long-Term Obligations

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

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

11. Compensated Absences

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

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

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

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

Fund Balances

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

The governmental fund types classify fund balance as follows:

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

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

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

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

Restricted for register of deeds - portion of fund balance constituting the Automation Enhancement and Preservation Fund, funded by 10% of the fees collected and maintained by the Register of Deeds' office. The funds are available for appropriation but are legally restricted for computer and imaging technology in the Register of Deeds' office.

Restricted for human services - transit - 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 human services - social services - portion of fund balance that is restricted by revenue source for social services and the portion of fund balance that can only be used to benefit beneficiaries under the Social Security's Representative Payee Program.

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 the safety of the public.

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

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.

Committed for general government - capital outlay - portion of fund balance that can only be used for future capital outlay expenditures.

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 (LERS), 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. Estimates

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

15. Major Taxpayer

The County has one major taxpayer with property valued at \$214,515,581.

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 \$11,022,238 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) | \$ 26,770,491 |
| Less accumulated depreciation | <u>(11,142,675)</u> |
| Net capital assets | 15,627,816 |
| Net pension asset | 45,148 |
| Contributions to the pension plan in the current fiscal year | 481,984 |
| Deferred outflows of resources related to pensions are not reported in the fund statements | 841,320 |
| Deferred charges related to advance refunding bond issued - included on government-wide statement of net position but are not current financial resources | 10,048 |

| | |
|--|----------------------|
| Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements | 28,754 |
| Deferred inflows of resources for taxes reported in the fund statements but not the government-wide statements | 286,179 |
| Deferred inflows of resources related to pensions are not reported in the fund statements | (128,562) |
| 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 | (3,444,280) |
| Compensated absences | (406,437) |
| Pension liabilities (LGRS and LEOSA) | (2,288,886) |
| Accrued interest payable | (30,846) |
| Total adjustment | <u>\$ 11,022,238</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 \$(40,669) as follows:

| | |
|---|--------------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities | \$ 802,124 |
| 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 | (1,090,278) |
| 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 | 600,049 |
| Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements | |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | 481,984 |
| Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual) | (2,861) |
| Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources | (14,540) |
| County's portion of collective pension expense | (748,007) |
| Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements | |
| Change in unavailable revenue for tax revenues | (69,140) |
| Total adjustment | <u>\$ (40,669)</u> |

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

The audited financial statements were not submitted timely in accordance with State law. G.S. 159-34(a) states that each unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year.

The County is working to develop and incorporate procedures to ensure that the data is collected, reviewed and reported accurately and timely.

2. Contractual Violations

None Noted.

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

None Noted.

4. Excess of Expenditures over Appropriations

None Noted.

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

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

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

At June 30, 2021, the County's deposits had a carrying amount of \$9,434,972 and a bank balance of \$9,650,746. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$9,150,746 was covered by collateral held under the Pooling Method.

At June 30, 2021, Graham County had \$900 cash on hand.

At June 30, 2021, the Tourism Development Authority's deposits had a carrying amount of \$547,710 and a bank balance of \$579,934. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$329,934 was covered by collateral held under the Pooling Method.

At June 30, 2021, the Authority's deposits had a carrying amount of \$602,834 and a bank balance of \$602,934. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$352,934 was covered by collateral held under the Pooling Method.

2. Investments

As of June 30, 2021, the County had the following investments and maturities.

| Investments by Type | Valuation Measurement Method | Fair Value | Less Than 6 Months |
|---|------------------------------------|--------------|--------------------------|
| NC Capital Management Trust - Government Portfolio | Fair Value - Level 1 | \$ 4,215,190 | \$ 4,215,190 |
| | Total | \$ 4,215,190 | \$ 4,215,190 |

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

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

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

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2021.

3. Receivables

Receivables at the government-wide level at June 30, 2021, were as follows:

| | Landfill Receivable | Taxes Receivable | Accrued Interest Receivable on Taxes | Accounts | Total |
|---------------------------------|------------------------|---------------------|---|-----------|------------|
| Governmental Activities: | | | | | |
| General | \$ 7,831 | \$ 514,842 | \$ 28,754 | \$ 21,628 | \$ 573,055 |
| Other governmental | - | - | - | 6,383 | 6,383 |
| Total receivables | 7,831 | 514,842 | 28,754 | 28,011 | 579,438 |
| Allowance for doubtful accounts | 7,831 | 228,663 | - | - | 236,494 |
| Total governmental activities | \$ - | \$ 286,179 | \$ 28,754 | \$ 28,011 | \$ 342,944 |

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

Graham County Travel and Tourism Authority's \$68,979 in accounts receivable at June 30, 2021 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 \$1,368 at June 30, 2021.

4. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2021, 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 | - | 9,300 | - | - | 9,300 |
| Total capital assets not being depreciated | 1,798,099 | 9,300 | - | - | 1,807,399 |
| Capital assets being depreciated: | | | | | |
| Buildings | 13,948,890 | - | - | - | 13,948,890 |
| Other improvements | 1,420,189 | 25,395 | - | - | 1,445,584 |
| Equipment and furniture | 4,449,247 | 283,939 | - | - | 4,733,186 |
| Vehicles and motorized equipment | 4,351,942 | 483,490 | - | - | 4,835,432 |
| Total capital assets being depreciated | 24,170,268 | 792,824 | - | - | 24,963,092 |
| Less accumulated depreciation for: | | | | | |
| Buildings | 2,945,856 | 351,122 | - | - | 3,296,978 |
| Other improvements | 549,359 | 68,753 | - | - | 618,112 |
| Equipment and furniture | 3,039,328 | 320,917 | - | - | 3,360,245 |
| Vehicles and motorized equipment | 3,517,854 | 349,486 | - | - | 3,867,340 |
| Total accumulated depreciation | 10,052,397 | 1,090,278 | - | - | 11,142,675 |
| Total capital assets being depreciated, net | 14,117,871 | | | | 13,820,417 |
| Governmental activity capital assets, net | \$ 15,915,970 | | | | \$ 15,627,816 |

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

| | |
|-----------------------------------|--------------|
| General government | \$ 287,609 |
| Public safety | 461,546 |
| Economic and physical development | 1,137 |
| Human services | 283,094 |
| Cultural and recreational | 56,892 |
| Total depreciation expense | \$ 1,090,278 |

Construction commitments

The government has active construction projects as of June 30, 2021. The projects include school construction and the NC Neighborhood project. At year-end, the government's commitments with contractors are as follows:

| Project | Spent-to-date | Remaining Commitment |
|---|---------------|-------------------------|
| NC Neighborhood Program Grant Projects Fund | \$ 56,614 | \$ 1,593,386 |
| School Capital Project Fund | 842,892 | 3,423,775 |
| Total | \$ 899,506 | \$ 5,017,161 |

Discretely presented component units*Graham County Rural Development Authority*

Capital asset activity for the Authority for the year ended June 30, 2021, was as follows:

| | Beginning Balances | Additions | Retirements | Transfers | Ending Balances |
|--|-----------------------|-----------|-------------|-----------|--------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 185,572 | \$ 7,384 | \$ - | \$ - | \$ 192,956 |
| Total capital assets not being depreciated | \$ 185,572 | \$ 7,384 | \$ - | \$ - | \$ 192,956 |

Construction commitments

The Authority has an active construction project and the following commitment with contractors as of June 30, 2021.

| Project | Spent-to-date | Remaining Commitment |
|-------------------|---------------|-------------------------|
| Moose Branch Road | \$ 178,569 | \$ 273,131 |

B. Liabilities**1. Payables**

Payables at the government-wide level at June 30, 2021, were as follows:

| | Vendors | Other | Total |
|-------------------------------|------------|------------|--------------|
| Governmental Activities: | | | |
| General | \$ 355,190 | \$ 259,225 | \$ 614,415 |
| Other governmental | 451,732 | - | 451,732 |
| Total-governmental activities | \$ 806,922 | \$ 259,225 | \$ 1,066,147 |

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 (LERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LERS 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 LERS 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LERS. 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. LERS 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, 2021, was 10.84% of compensation for law enforcement officers and 10.15% 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 \$479,005 for the year ended June 30, 2021.

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, 2021, the County reported a liability of \$1,609,878 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2021, the County's proportion was .06085% (measured as of June 30, 2020), which was an increase of .00190% from its proportion as of June 30, 2020 (measured as of June 30, 2019).

For the year ended June 30, 2021, the County recognized pension expense of \$745,092. At June 30, 2021, 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 | \$ 274,592 | \$ - |
| Changes of assumptions | 161,820 | - |
| Net difference between projected and actual earnings on pension plan investments | 305,992 | - |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 37,602 | 80,090 |
| County contributions subsequent to the measurement date | 479,005 | - |
| Total | <u>\$ 1,259,011</u> | <u>\$ 80,090</u> |

\$479,005 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|------------|
| 2022 | \$ 180,397 |
| 2023 | 265,082 |
| 2024 | 163,880 |
| 2025 | 90,557 |
| 2026 | - |
| Thereafter | - |

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.00 percent |
| Salary increases | 3.50 to 8.10 percent, including inflation and productivity factor |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation |

The plan actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 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 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|------------------------|--------------------------|------------------------|
| County's proportionate share of the net pension liability (asset) | \$ 4,411,681 | \$ 2,174,430 | \$ 315,116 |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report 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, 2019, the Separation Allowance's membership consisted of:

| | |
|--|-----------|
| Inactive Members Currently Receiving Benefits | - |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active Members | 10 |
| Total | <u>10</u> |

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 criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|---|
| Inflation | 1.93 percent |
| Salary increases | 3.25 to 7.75 percent, including inflation and productivity factor |
| Discount rate | 2.50 percent |

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

Mortality Rate

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

Deaths After Retirement (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

Deaths After Retirement (Survivors of Deceased Members): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths Prior to Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

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, 2021, the County reported a total pension liability of \$114,456. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was rolled forward to December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the County recognized pension expense of \$11,824.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 16,517 | \$ 27,268 |
| Changes of assumptions | 44,797 | 1,716 |
| Total | <u>\$ 61,314</u> | <u>\$ 28,984</u> |

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|----------|
| 2022 | \$ 1,187 |
| 2023 | 1,583 |
| 2024 | 4,052 |
| 2025 | 7,939 |
| 2026 | 10,099 |
| Thereafter | 7,470 |

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 1.93 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 (0.93 percent) or 1- percentage-point higher (2.93 percent) than the current rate:

| | 1% Decrease (0.93%) | Discount Rate (1.93%) | 1% Increase (2.93%) |
|-------------------------|------------------------|--------------------------|------------------------|
| Total pension liability | \$ 125,939 | \$ 114,456 | \$ 103,960 |

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

| | |
|--|-------------------|
| Total pension liability as of December 31, 2019 | \$ 35,755 |
| Changes for the year: | |
| Service cost | 9,471 |
| Interest on the total pension liability | 1,166 |
| Changes of benefit terms | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 19,395 |
| Changes of assumptions or other inputs | 48,669 |
| Benefit payments | - |
| Net changes | <u>78,701</u> |
| Total pension liability as of December 31, 2020 | <u>\$ 114,456</u> |

Changes of assumptions. Since the Prior Measurement Date, the Discount Rate has changed from 3.26% to 1.93% due to a change in the Municipal Bond Rate. Based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019, the following were updated: mortality rates, salary increase rates, service retirement rates, disability retirement rates, termination rates, real wage growth, and leave conversion service.

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, 2019 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, 2019.

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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 \$18,285 for the year ended June 30, 2021. 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. ROSPF 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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 \$2,979 for the year ended June 30, 2021.

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

At June 30, 2021, the County reported an asset of \$45,148 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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 ROSPF employers. At June 30, 2021, the Board's proportion was 0.19700% (measured as of June 30, 2020), which was an increase of 0.10100% from its proportion as of June 30, 2020 (measured as of June 30, 2019).

For the year ended June 30, 2021, the County recognized pension expense of \$(8,909). At June 30, 2021, 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 | \$ - | \$ 920 |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 3,863 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 14,705 |
| County contributions subsequent to the measurement date | 2,979 | - |
| Total | <u>\$ 2,979</u> | <u>\$ 19,488</u> |

\$2,979 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|------------|
| 2022 | \$ (8,025) |
| 2023 | (8,747) |
| 2024 | (1,743) |
| 2025 | (973) |
| 2026 | - |
| Thereafter | - |

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.00 percent |
| Salary increases | 3.50 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, 2019 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2021 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

| | 1% Decrease (2.75%) | Discount Rate (3.75%) | 1% Increase (4.75%) |
|---|---------------------------|-----------------------------|---------------------------|
| County's proportionate share of the net pension liability (asset) | \$ 38,348 | \$ 45,148 | \$ 50,903 |

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

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

The net pension liability for LGERS and RODSPF was measured as of December 31, 2019, 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, 2020, with an actuarial valuation date of December 31, 2019. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>LGERS</u> | <u>RODSPF</u> | <u>LEOSSA</u> | <u>Total</u> |
|--|--------------|---------------|---------------|--------------|
| Proportionate Share of Net Pension Liability (Asset) | \$ 1,609,878 | \$ (18,952) | \$ - | \$ 1,590,926 |
| Proportion of the of Net Pension Liability (Asset) | 0.0590% | 0.0960% | n/a | n/a |
| Total Pension Liability | n/a | n/a | \$ 114,456 | \$ 114,456 |
| Pension Expense | \$ 745,092 | \$ (8,909) | \$ 11,824 | \$ 748,007 |

At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>LGERS</u> | <u>RODSPF</u> | <u>LEOSSA</u> | <u>Total</u> |
|--|--------------|---------------|---------------|--------------|
| <u>Deferred Outflows of Resources</u> | | | | |
| Differences between expected and actual experience | \$ 274,592 | \$ - | \$ 16,517 | \$ 291,109 |
| Changes of assumptions | 161,820 | - | 44,797 | 206,617 |
| Net difference between projected and actual earnings on pension plan investments | 305,992 | - | - | 305,992 |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 37,602 | - | - | 37,602 |
| County contributions (LGERS, RODSPF)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date | 479,005 | 2,979 | - | 481,984 |
| <u>Deferred Inflows of Resources</u> | | | | |
| Differences between expected and actual experience | \$ - | \$ 920 | \$ 27,268 | \$ 28,188 |
| Changes of assumptions | - | - | 1,716 | 1,716 |
| Net difference between projected and actual earnings on pension plan investments | - | 3,863 | - | 3,863 |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 80,090 | 14,705 | - | 94,795 |

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 | \$ 10,048 | \$ - |
| Pensions - difference between expected and actual experience | 291,109 | 28,188 |
| Pensions - changes of assumptions | 206,617 | 1,716 |
| Pensions - difference between projected and actual investment earnings | 305,992 | 3,863 |
| Pensions - change in proportion and difference between employer contributions and proportionate share of contributions | 37,602 | 94,795 |
| Contributions to pension plan subsequent to measurement date (LGERS, RODSPF) | 481,984 | - |
| Prepaid taxes not yet earned (General) | - | 141,908 |
| Taxes receivable, net, less penalties (General) | - | 286,179 |
| Total deferred inflows of resources | <u>\$ 1,333,352</u> | <u>\$ 556,649</u> |

4. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of, assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance for these risks of loss. The County obtains property coverage equal to the replacement cost of owned property subject to a total insured value of \$22,698,166, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability at \$1 million per occurrence; auto physical damage for owned autos at actual cash value; crime coverage of \$250,000 per occurrence; and worker's compensation up to the statutory limits. The County is also covered up to \$2 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, 2021, 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 June 30, 2019 for the lease of equipment and requires three annual payments. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the date of its inception. Under the terms of the lease agreement, title passes to the County at the end of the lease term.

The County entered into a lease agreement on September 12, 2019 for the lease of equipment and requires three annual payments. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the date of its inception. Under the terms of the lease agreement, title passes to the County at the end of the lease term.

The County entered into a lease agreement on November 25, 2019 for the lease of equipment and requires three annual payments. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the date of its inception. Under the terms of the lease agreement, title passes to the County at the end of the lease term.

At June 30, 2021, the County leased equipment valued at:

| Classes of Property | Cost | Accumulated Depreciation | Net Book Value |
|--------------------------|-------------------|--------------------------|------------------|
| Equipment - cameras | \$ 44,593 | \$ 12,741 | \$ 31,852 |
| Equipment - phone system | 73,650 | 28,204 | 45,446 |
| Total | <u>\$ 118,243</u> | <u>\$ 40,945</u> | <u>\$ 77,298</u> |

The future minimum lease payments and their net present value as of June 30, 2021, were as follows:

| | |
|---|------------------|
| Year ending June 30 | |
| 2022 | \$ 42,302 |
| Total minimum lease payments | 42,302 |
| Less: amount representing interest | 3,036 |
| Present value of the minimum lease payments | <u>\$ 39,266</u> |

b. Installment Purchases

The County has entered into direct placements. Direct placements outstanding at June 30, 2021, were as follows:

On September 13, 2005, the County entered into a \$1,618,000 QZAB direct placement contract for school improvements. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 16 annual principal payments of \$84,394, and one final payment of \$267,704, including interest at zero percent, and matures on September 13, 2021. \$ 352,097

On September 17, 2015, the County entered into a \$453,818 direct placement contract with the United States Department of Agriculture to replace the fund balance reserve that was somewhat depleted by the purchase of the transfer station. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires thirty annual payments of \$25,065, including interest at 3.625%, and matures on September 17, 2045.

407,509

On June 1, 2017, the County entered into a \$2,873,000 direct placement contract for the acquisition, renovation and improvement of the Phillips & Jordan Building located at 191 P&J Road, Robbinsville, North Carolina. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires eight annual principal payments of \$192,000 followed by seven annual principal payments of \$191,000, including interest at 2.67% beginning on March 15, 2018. There will also be annual interest only payments beginning September 15, 2017 through September 15, 2031 at 2.67%, and matures on March 15, 2032.

2,105,000

On February 24, 2020, the County entered into a \$33,099 direct placement contract for the purchase of computers for the Sheriff's Office. The equipment is pledged as collateral for the debt while the debt is outstanding. The financing contract requires three annual payments of \$11,740, including interest at 3.17%, and matures on February 24, 2023.

22,408

\$ 2,887,014

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

| Year Ending June 30 | Governmental Activities | |
|---------------------|-------------------------|-------------------|
| | Principal | Interest |
| 2022 | \$ 565,419 | \$ 71,686 |
| 2023 | 214,045 | 65,837 |
| 2024 | 203,053 | 59,963 |
| 2025 | 203,453 | 54,436 |
| 2026 | 202,868 | 48,895 |
| 2027-2031 | 1,021,116 | 161,203 |
| 2032-2036 | 270,000 | 51,424 |
| 2037-2041 | 94,395 | 30,930 |
| 2042-2046 | 112,665 | 12,660 |
| Total | <u>\$ 2,887,014</u> | <u>\$ 557,034</u> |

c. General Obligation Indebtedness

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

The County's general obligation bonds payable at June 30, 2021 is comprised of the following:

Serviced by the County's General Fund:

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

\$ 518,000

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

| Year Ending June 30 | Governmental Activities | |
|---------------------|-------------------------|------------------|
| | Principal | Interest |
| 2022 | \$ 262,000 | \$ 11,396 |
| 2023 | 256,000 | 5,632 |
| Total | <u>\$ 518,000</u> | <u>\$ 17,028</u> |

Debt Related to Capital Activities - Of the total Governmental Activities debt listed, only \$2,574,183 relates to assets the County holds title.

d. Refunding

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

e. Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2021:

| | Beginning Balances | Additions | Retirements | Ending Balances | Due Within One Year |
|--|-----------------------|--------------|-------------|--------------------|------------------------|
| General obligation bonds | \$ 781,000 | \$ - | \$ 263,000 | \$ 518,000 | \$ 262,000 |
| Capitalized leases | 79,298 | - | 40,032 | 39,266 | 39,266 |
| Direct placement installment purchases | 3,184,031 | - | 297,017 | 2,887,014 | 565,419 |
| Compensated absences | 391,897 | 401,228 | 386,688 | 406,437 | 386,000 |
| Net pension liability (LGERS) | 1,609,878 | 564,552 | - | 2,174,430 | - |
| Total pension liability (LEOSSA) | 35,755 | 78,701 | - | 114,456 | - |
| Total | \$ 6,081,859 | \$ 1,044,481 | \$ 986,737 | \$ 6,139,603 | \$ 1,252,685 |

No interest was capitalized during the year ended June 30, 2021; interest incurred and charged to expense totaled \$102,864.

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, 2021, Graham County had a legal debt margin of \$92,861,862.

Discretely presented component unit*Graham County Rural Development Authority*

The following is a summary of changes in the RDA's long-term obligations for the fiscal year ended June 30, 2021:

| | Beginning Balances | Additions | Retirements | Ending Balances | Due Within One Year |
|-----------------------|-----------------------|-----------|-------------|--------------------|------------------------|
| Direct placement loan | \$ 134,467 | \$ - | \$ - | \$ 134,467 | \$ 134,467 |
| Total | \$ 134,467 | \$ - | \$ - | \$ 134,467 | \$ 134,467 |

C. Prior Period Adjustment

During the fiscal year ended June 30, 2021, 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, 2020 by \$3,803 due to expenditures that were deemed ineligible for reimbursement.

| | | |
|---|-------|---------|
| Emergency Telephone System Fund Balance, beginning as previously reported | \$ | 529,283 |
| Ineligible expenditures made in the prior fiscal year | 3,803 | |
| Net prior period adjustment | | 3,803 |
| School Capital Project Balance, beginning as restated | \$ | 533,086 |

NC Neighborhood Program Grant Projects Fund Balance: The fund balance of the NC Neighborhood Program Grant Projects Fund was understated at June 30, 2020 by \$47,731 due to the remaining fund balance of the Low-income Housing Repair or Rehabilitation Grant Project Fund being transferred out of the General Fund and additional revenues not reported.

| | | |
|--|--------|--------|
| NC Neighborhood Program Grant Projects Fund, beginning as previously reported | \$ | - |
| The remaining fund balance of the Low-income Housing Repair or Rehabilitation Grant Project Fund was transferred out of the General Fund | 47,684 | |
| Additional revenues not reported in the prior fiscal year | 47 | |
| Net prior period adjustment | | 47,731 |
| NC Neighborhood Program Grant Projects Fund, beginning as restated | \$ | 47,731 |

General Fund Balance: The fund balance in the General Fund was overstated at June 30, 2020 by \$53,631 due to the following items:

| | | |
|--|----------|---------------------|
| General Fund Balance, beginning as previously reported | | \$ 8,930,772 |
| The remaining fund balance of the Low-income Housing Repair or Rehabilitation Grant Project Fund was transferred out of the General Fund | (47,684) | |
| Ineligible expenditures made in the prior fiscal year | (3,803) | |
| Overstated sales tax receivable | (1,416) | |
| Adjustment for the implementation of GASB Statement 84 | (728) | |
| Net prior period adjustment | | (53,631) |
| General Fund Balance, beginning as restated | | <u>\$ 8,877,141</u> |

Governmental Activities: The abovementioned changes in fund balance resulted in net position being understated by \$81,591.

| | | |
|--|---------|----------------------|
| Net Position, beginning as previously reported | | \$ 22,284,010 |
| Fund Balance restatement | (1,369) | |
| Adjustment for the implementation of GASB Statement 84 | 82,960 | |
| Net prior period adjustment/restatement | | 81,591 |
| Net Position, beginning as restated | | <u>\$ 22,365,601</u> |

D. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2021, consist of the following:

Due from the General Fund to:

| | |
|--------------------------|-------------------|
| Emergency Telephone Fund | \$ 171,370 |
| Total | <u>\$ 171,370</u> |

Due to the General Fund from:

| | |
|---|------------------|
| NC Neighborhood Program Grant Projects Fund | \$ 15,300 |
| Total | <u>\$ 15,300</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, 2021, consisted of the following:

| | |
|--|---------------------|
| From the General Fund to the Public Building Capital Projects Fund for construction costs | \$ 1,076,376 |
| From the General Fund to the Revaluation Fund to provide resources for the next property revaluation | 50,000 |
| From the General Fund to the School Capital Project Fund for the County match contribution per grant agreement | 208,478 |
| Total | <u>\$ 1,334,854</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, 2021, is computed as follows:

| | |
|---|----------------------|
| Capital assets, net of accumulated depreciation | \$ 15,627,816 |
| Less capital debt: | |
| Gross debt (excluding compensated absences) | 3,444,280 |
| Less: | |
| School debt related to assets to which the County does not hold title | 870,097 |
| Total capital debt | 2,574,183 |
| Net investment in capital assets | <u>\$ 13,053,633</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 | \$ 9,435,867 |
| Less: | |
| Prepaid items | 20,620 |
| Register of deeds | 84,304 |
| Stabilization by State statute | 1,336,753 |
| Human services | 98,762 |
| Law enforcement | 107,617 |
| Economic development | 1,447 |
| Courts | 2,889 |
| USDA reserve | 15,039 |
| Tax revaluation | 154,282 |
| Appropriated fund balance in 2022 budget | 411,979 |
| Working capital/ fund balance policy | 1,430,027 |
| Remaining fund balance | \$ 5,772,148 |

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

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

| | | |
|---------------------|---------------------|-----------------------|
| Encumbrances | General Fund | Nonmajor Funds |
| | \$ 513,629 | \$ - |

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, 2021. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$75,000 to the Library to supplement its activities. Complete financial statements for the Library may be obtained from the Library's offices at 101-A Blumenthal Street, Murphy, NC 28906.

V. Jointly Governed Organizations

The County, in conjunction with seven other counties and fifteen municipalities, established the Southwestern N.C. Planning and Economic Development Commission (Commission). The participating governments established the Commission to coordinate funding received from various federal and State agencies. Each participating government appoints one member to the Commission's forty-four member governing board. The County paid membership fees of \$6,141 to the Commission during the fiscal year ended June 30, 2021.

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, 2021.

VI. 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.

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the County, COVID-19 is expected to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the County is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

VII. Change in Accounting Principle / Restatement

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. 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 statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

As part of implementing the statement, the County performed a comprehensive review of its fiduciary relationships and applied the criteria within the guidance. As a result, fund balance and net position were restated as follows:

| Governmental Activities Net Position - Increase (Decrease) | General Fund Balance - Increase (Decrease) | Nonmajor Special Revenue Fund Balance - Increase (Decrease) | Fiduciary Net Position - Increase (Decrease) | |
|--|---|--|---|--|
| \$ (728) | \$ (728) | \$ - | \$ 728 | Cash related to funds held on behalf of incarcerated inmates was reclassified from the General Fund into fiduciary net position in a newly created Jail Inmate Pay Custodial Fund. |
| - | - | - | - | - Cash, taxes receivables and liabilities related to ad valorem and vehicle property taxes collected by the County on behalf of various municipalities were reclassified from the Agency Fund into a newly created Municipal Tax Custodial Fund. The reclassifications did not result in a restatement in net position. |
| - | - | - | - | - Cash and liabilities related to funds held on behalf 4-H activities were reclassified from the Agency Fund into a newly created 4-H Club Custodial Fund. The reclassifications did not result in a restatement in net position. |
| 83,688 | - | 83,688 | - | - Cash received under the Social Security Administration's Representative Payee Program net of liabilities owed for payments on behalf of beneficiaries were reclassified out of the Agency Fund into a newly created Representative Payee Special Revenue Fund. The portion of liabilities in the Agency Fund representing net cash available at the beginning of the year were restated as fund balance. |
| - | - | - | - | - Cash and liabilities related to deed of trust fees collected required to be remitted to the State of North Carolina were reclassified out of the Agency Fund into a newly created Deed of Trust Special Revenue Fund. The reclassifications did not result in a restatement of fund balance. |
| - | - | - | - | - Cash and receivables from fines and forfeitures net of liabilities owed to the Graham County Board of Education were reclassified from the General Fund into a newly created Fines and Forfeitures Special Revenue Fund. The reclassifications did not result in a restatement of fund balance. |

VIII. New Accounting Pronouncements***Pronouncements effective for the 2021 Financial Statements:***

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

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*. This new standard aims to provide consistency in the reporting of majority equity interests and improve the relevance of information related to certain component units.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR). The London Interbank Offered Rate (LIBOR) is the most often used. As a result of global reference rate reform, LIBOR is expected to no longer exist after December 31, 2021. This will cause governments to amend or replace financial instruments to replace LIBOR with other reference rates by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

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 June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to improve 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 effective date of this Statement has been postponed for reporting periods beginning after June 15, 2021.

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. The effective date of this Statement has been postponed for reporting periods beginning after December 15, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The effective date of this Statement has been postponed for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The statement is designed to mitigate costs associated with reporting on certain employee benefit plans. The statement also is intended to improve the reporting of Sec. 457 deferred compensation plans that meet the definition of a pension plan, and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

IX. Significant Effects of Subsequent Events

The County has evaluated events and transactions that occurred between June 30, 2021 and March 1, 2022, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2021.

- A. On November 23, 2021 the Graham County Sheriff's Office was awarded a grant from the Nantahala Health Foundation in the amount of \$9,183. The funds from the grant were used to purchase comprehensive first aid kits, including rope throw bags for persons in distress in our waterways, and Bag-Valve-Masks / artificial airways to assist in artificial respirations.
- B. The County ordered three high top lift vans for \$195,852, using CT Capital NCDOT grant funds with a 10% match. Matching funds are to come out of the operating reserve for the Transit Department.
- C. The County was awarded \$221,336 by the USDA-NRCS for creekbank repair and mitigation and stream clearing. There is a match requirement of \$21,082 in local cash and in-kind services. The County has expended \$21,476 in technical assistance funds for which there is no match requirement. Procurement under federal guidelines was performed for engineering services in 2020-21. The County awarded the engineering contract to LDSI Engineering, and they are currently working on the design phase.
- D. On August 10, 2021, the County took delivery of a 2021 F-350 ambulance that had been ordered the previous fiscal year. The total expenditure was \$235,677.
- E. On September 13, 2021, the County paid its final QZAB payment and subsequently liquidated the QZAB account with US Bank to satisfy the debt service on the QZAB with Bank of America.
- F. The County had change orders for School Capital Project, with change order three deducting \$16,870 and change order four adding \$75,138 to the project cost. The fourth change order also added 189 days to schedule due to covid delays.
- G. In November 2021, the County was awarded a grant from Dogwood Health Trust in the amount of \$242,817 to be used by the health department for opioid intervention.

Required Supplementary 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 Eight Fiscal Years *

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| County's proportion of the net pension liability (asset) % | 0.061% | 0.059% | 0.062% | 0.069% | 0.076% | 0.069% | 0.078% | 0.083% |
| County's proportionate share of the net pension liability (asset) \$ | \$ 2,174,430 | \$ 1,609,878 | \$ 1,480,341 | \$ 1,056,879 | \$ 1,613,401 | \$ 307,741 | \$ (461,771) | \$ 1,002,880 |
| County's covered-employee payroll | \$ 4,116,653 | \$ 4,088,931 | \$ 3,932,080 | \$ 4,040,090 | \$ 4,021,910 | \$ 3,771,110 | \$ 3,994,140 | \$ 4,162,209 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 52.82% | 39.37% | 37.65% | 26.16% | 40.12% | 8.16% | (11.56%) | 24.09% |
| Plan fiduciary net position as a percentage of the total pension liability** | 88.61% | 90.86% | 91.63% | 94.18% | 91.47% | 98.09% | 102.64% | 94.35% |

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

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

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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 479,005 | \$ 372,494 | \$ 320,513 | \$ 297,575 | \$ 299,992 | \$ 410,849 | \$ 396,494 | \$ 418,574 |
| Contributions in relation to the contractually required contribution | 479,005 | 372,494 | 320,513 | 297,575 | 299,992 | 410,849 | 396,494 | 418,574 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| County's covered-employee payroll | \$ 4,678,084 | \$ 4,116,653 | \$ 4,088,931 | \$ 3,932,080 | \$ 4,040,090 | \$ 4,021,910 | \$ 3,771,110 | \$ 3,994,140 |
| Contributions as a percentage of covered-employee payroll | 10.24% | 9.05% | 7.84% | 7.57% | 7.43% | 10.22% | 10.51% | 10.48% |

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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| County's proportion of the net pension liability (asset) % | 0.1970% | 0.0960% | 0.0762% | 0.0694% | 0.0680% | 0.6310% | 6.7200% | 6.7200% |
| County's proportionate share of the net pension liability (asset) \$ | \$ (45,148) | \$ (18,952) | \$ (12,621) | \$ (11,844) | \$ (12,778) | \$ (14,611) | \$ (15,236) | \$ (14,288) |
| Plan fiduciary net position as a percentage of the total pension liability | 173.62% | 164.11% | 153.31% | 153.77% | 160.17% | 197.29% | 193.88% | 190.50% |

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

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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|----------|----------|--------|--------|--------|--------|--------|--------|
| Contractually required contribution | \$ 2,979 | \$ 1,886 | \$ 912 | \$ 597 | \$ 600 | \$ 565 | \$ 556 | \$ 549 |
| Contributions in relation to the contractually required contribution | 2,979 | 1,886 | 912 | 597 | 600 | 565 | 556 | 549 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

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, 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|-------------------|------------------|------------------|------------------|------------------|
| Beginning balance | \$ 35,755 | \$ 42,963 | \$ 53,279 | \$ 54,874 | \$ 45,225 |
| Service cost | 9,471 | 7,253 | 10,084 | 8,833 | 9,590 |
| Interest on the total pension liability | 1,166 | 1,564 | 1,684 | 2,118 | 1,615 |
| Changes of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 19,395 | (17,420) | (19,346) | (20,226) | - |
| Changes of assumptions or other inputs | 48,669 | 1,395 | (2,738) | 7,680 | (1,556) |
| Benefit payments | - | - | - | - | - |
| Other changes | - | - | - | - | - |
| Ending balance of the total pension liability | <u>\$ 114,456</u> | <u>\$ 35,755</u> | <u>\$ 42,963</u> | <u>\$ 53,279</u> | <u>\$ 54,874</u> |

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

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, 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|------------|-----------|-----------|-----------|-----------|
| Total pension liability | \$ 114,456 | \$ 35,755 | \$ 42,963 | \$ 53,279 | \$ 54,874 |
| Covered payroll | 519,819 | 340,160 | 413,888 | 480,234 | 483,289 |
| Total pension liability as a percentage of covered payroll | 22.02% | 10.51% | 10.38% | 11.09% | 11.35% |

Notes to the schedules:

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

Combining and Individual Fund
Statements and Schedules

Major Governmental Funds

The County has the following major governmental funds:

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

Special Revenue Funds:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

- **American Recovery Grant Project Fund** – The federal government signed into law the American Rescue Plan Act on March 11, 2021, and established the Coronavirus State and Local Fiscal Recovery Funds program, to provide support to State, territorial, local, and Tribal governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses. This fund accounts for such expenses.
- **NC Neighborhood Program Grant Projects Fund** – This fund accounts for the revenues and expenditures to rehabilitate owner-occupied homes for County residents with low-income and severe housing needs and to provide community development assistance as a response to the COVID-19 public health emergency. These projects are funded by the North Carolina Department of Commerce, North Carolina General Assembly Special Appropriations, Community Development Block Grants (CDBG), and the North Carolina Neighborhood Program.

Capital Project Funds:

Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

- **Public Building Capital Projects Fund (formerly known as the Phillips and Jordan Building Capital Project Fund)** – This fund accounts for the additions and improvements of major County facilities which are financed by transfers from the general fund, bond proceeds, and financing agreements.
- **School Capital Projects Fund** – This fund accounts for capital outlay for the Graham County school system which are financed by grant monies from the Needs-Based State Public School Building Capital Fund and transfers from the general fund.

Graham County, North Carolina
Schedule of Revenues, Expenditures, and Changes in Fund Balances
General Fund - Consolidated
For the Fiscal Year Ended June 30, 2021

| | General Fund | Revaluation Fund | Eliminations | Total |
|--|-----------------|---------------------|--------------|--------------|
| REVENUES | | | | |
| Ad valorem taxes | \$ 7,913,436 | \$ - | \$ - | \$ 7,913,436 |
| Local option sales taxes | 2,931,460 | - | - | 2,931,460 |
| Other taxes and licenses | 59,014 | - | - | 59,014 |
| Unrestricted intergovernmental | 840,712 | - | - | 840,712 |
| Restricted intergovernmental | 4,040,274 | - | - | 4,040,274 |
| Other restricted revenues | 84,794 | - | - | 84,794 |
| Permits and fees | 222,522 | - | - | 222,522 |
| Sales and services | 1,754,631 | - | - | 1,754,631 |
| Investment earnings | 6,638 | 131 | - | 6,769 |
| Miscellaneous | 59,676 | - | - | 59,676 |
| Total revenues | 17,913,157 | 131 | - | 17,913,288 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,421,849 | 88,446 | - | 3,510,295 |
| Public safety | 5,559,972 | - | - | 5,559,972 |
| Economic and physical development | 193,114 | - | - | 193,114 |
| Human services | 4,823,637 | - | - | 4,823,637 |
| Cultural and recreational | 402,326 | - | - | 402,326 |
| Intergovernmental: | | | | |
| Education | 1,617,526 | - | - | 1,617,526 |
| Special appropriations | 155,435 | - | - | 155,435 |
| Total expenditures | 16,173,859 | 88,446 | - | 16,262,305 |
| Revenues over (under) expenditures | 1,739,298 | (88,315) | - | 1,650,983 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 50,000 | (50,000) | - |
| Transfers out | (1,334,854) | - | 50,000 | (1,284,854) |
| Total other financing sources (uses) | (1,334,854) | 50,000 | - | (1,284,854) |
| Fund balance appropriated/(additions) | - | - | - | - |
| Net change in fund balance | 404,444 | (38,315) | \$ - | 366,129 |
| FUND BALANCES | | | | |
| Fund balance, beginning as previously reported | 8,930,772 | 192,597 | | 9,123,369 |
| Prior period adjustment | (53,631) | - | | (53,631) |
| Fund balance, beginning as restated | 8,877,141 | 192,597 | | 9,069,738 |
| Fund balance, ending | \$ 9,281,585 | \$ 154,282 | | \$ 9,435,867 |

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, 2021

| | Budget | Actual | Variance Positive (Negative) |
|---------------------------------|---------------|---------------|---|
| REVENUES | | | |
| Ad valorem taxes: | | | |
| Current year taxes | | \$ 7,808,738 | |
| Prior year taxes | | 36,373 | |
| Penalties and interest | | 68,325 | |
| Total | \$ 7,581,207 | 7,913,436 | \$ 332,229 |
| Local option sales taxes: | | | |
| Local option sales tax | | 2,931,460 | |
| Total | 1,909,454 | 2,931,460 | 1,022,006 |
| Other taxes and licenses: | | | |
| Register of deeds - excise tax | | 55,644 | |
| Cable franchise fees | | 3,370 | |
| Total | 53,800 | 59,014 | 5,214 |
| Unrestricted intergovernmental: | | | |
| Payments in lieu of taxes | | 840,712 | |
| Total | 827,000 | 840,712 | 13,712 |
| Restricted intergovernmental: | | | |
| State grants | | 3,640,724 | |
| Federal grants | | 382,953 | |
| Local grants | | 3,600 | |
| Court facility fees | | 279 | |
| Scrap tire disposal fee | | 360 | |
| Solid waste disposal tax | | 7,530 | |
| Controlled substance tax | | 1,629 | |
| White goods disposal fee | | 3,199 | |
| Total | 3,834,856 | 4,040,274 | 205,418 |
| Other restricted revenues: | | | |
| Private grants & contributions | | 84,794 | |
| Total | 157,789 | 84,794 | (72,995) |
| Permits and fees: | | | |
| Building permits | | 58,662 | |
| Register of deeds | | 149,920 | |
| Health department well permits | | 13,940 | |
| Total | 186,200 | 222,522 | 36,322 |
| Sales and services: | | | |
| Rents, concessions, and fees | | 973,992 | |
| Jail fees | | 19,622 | |
| Ambulance fees | | 576,026 | |
| Home health | | 46,795 | |
| Tipping fees | | 56,204 | |
| Recycling revenue | | 11,284 | |
| Sheriff fees | | 70,708 | |
| Total | 1,823,805 | 1,754,631 | (69,174) |
| Investment earnings: | 12,590 | 6,638 | (5,952) |
| Miscellaneous: | 15,000 | 59,676 | 44,676 |
| Total revenues | 16,401,701 | 17,913,157 | 1,511,456 |

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, 2021

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------|----------------|----------------|---|
| EXPENDITURES | | | |
| General government: | | | |
| Governing body: | | | |
| Salaries and employee benefits | | 149,704 | |
| Operating expenditures | | 257,371 | |
| Contracted services | | 87,281 | |
| Contingency fund | | 57,374 | |
| Debt service: | | | |
| Principal retirement | | 40,032 | |
| Interest and other charges | | 5,310 | |
| Total | <u>651,872</u> | <u>597,072</u> | <u>54,800</u> |
| Administration: | | | |
| Salaries and employee benefits | | 158,767 | |
| Operating expenditures | | 154,692 | |
| Insurance - general | | 236,127 | |
| Total | <u>573,216</u> | <u>549,586</u> | <u>23,630</u> |
| Board of elections: | | | |
| Salaries and employee benefits | | 109,357 | |
| Operating expenditures | | 100,282 | |
| Total | <u>227,080</u> | <u>209,639</u> | <u>17,441</u> |
| Finance: | | | |
| Salaries and employee benefits | | 116,988 | |
| Operating expenditures | | 55,055 | |
| Contracted services | | 12,352 | |
| Total | <u>184,907</u> | <u>184,395</u> | <u>512</u> |
| Tax assessor: | | | |
| Salaries and employee benefits | | 71,450 | |
| Operating expenditures | | 3,572 | |
| Contracted services | | 34,191 | |
| Total | <u>116,404</u> | <u>109,213</u> | <u>7,191</u> |
| Tax collector: | | | |
| Salaries and employee benefits | | 101,324 | |
| Operating expenditures | | 14,150 | |
| Total | <u>118,949</u> | <u>115,474</u> | <u>3,475</u> |
| Tax mapping: | | | |
| Salaries and employee benefits | | 48,922 | |
| Operating expenditures | | 8,103 | |
| Contracted services | | 20,203 | |
| Total | <u>78,109</u> | <u>77,228</u> | <u>881</u> |
| Register of deeds: | | | |
| Salaries and employee benefits | | 98,605 | |
| Operating expenditures | | 95,864 | |
| Contracted services | | 30,802 | |
| Total | <u>225,850</u> | <u>225,271</u> | <u>579</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, 2021

| | Budget | Actual | Variance Positive (Negative) |
|--------------------------------|---------------|---------------|---|
| Public buildings: | | | |
| Salaries and employee benefits | | 207,980 | |
| Operating expenditures | | 197,513 | |
| Capital outlay | | 12,500 | |
| Contracted services | | 17,633 | |
| Debt service: | | | |
| Principal retirement | | 192,000 | |
| Interest and other charges | | 61,330 | |
| Total | 690,669 | 688,956 | 1,713 |
| Vehicle maintenance: | | | |
| Salaries and employee benefits | | 39,239 | |
| Operating expenditures | | 8,538 | |
| Total | 48,612 | 47,777 | 835 |
| Computer support: | | | |
| Salaries and employee benefits | | 55,384 | |
| Operating expenditures | | 8,080 | |
| Contracted services | | 168,839 | |
| Total | 235,815 | 232,303 | 3,512 |
| Grounds maintenance: | | | |
| Salaries and employee benefits | | 41,735 | |
| Operating expenditures | | 13,450 | |
| Contracted services | | 5,100 | |
| Total | 61,803 | 60,285 | 1,518 |
| Cemetery: | | | |
| Salaries and employee benefits | | 195,652 | |
| Operating expenditures | | 31,409 | |
| Total | 254,064 | 227,061 | 27,003 |
| Project Manager: | | | |
| Salaries and employee benefits | | 68,579 | |
| Operating expenditures | | 29,010 | |
| Total | 99,337 | 97,589 | 1,748 |
| Total general government | 3,566,687 | 3,421,849 | 144,838 |
| Public safety: | | | |
| Sheriff: | | | |
| Salaries and employee benefits | | 1,247,066 | |
| Operating expenditures | | 341,725 | |
| Contracted services | | 18,384 | |
| Debt service: | | | |
| Principal retirement | | 10,690 | |
| Interest and other charges | | 1,049 | |
| Total | 1,633,834 | 1,618,914 | 14,920 |
| Jail: | | | |
| Salaries and employee benefits | | 497,799 | |
| Operating expenditures | | 309,708 | |
| Contracted services | | 62,183 | |
| Total | 877,132 | 869,690 | 7,442 |

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, 2021

| | Budget | Actual | Variance Positive (Negative) |
|-----------------------------------|---------------|---------------|---|
| Ambulance service: | | | |
| Salaries and employee benefits | | 691,523 | |
| Operating expenditures | | 101,190 | |
| Capital outlay | | 68,442 | |
| Total | 890,944 | 861,155 | 29,789 |
| District court: | | | |
| Operating expenditures | | 5,406 | |
| Total | 7,933 | 5,406 | 2,527 |
| Emergency management: | | | |
| Salaries and employee benefits | | 82,906 | |
| Operating expenditures | | 10,037 | |
| Capital outlay | | 49,333 | |
| Total | 142,520 | 142,276 | 244 |
| Community paramedicine: | | | |
| Salaries and employee benefits | | 55,524 | |
| Operating expenditures | | 18,983 | |
| Capital outlay | | 75,101 | |
| Total | 158,375 | 149,608 | 8,767 |
| Communications: | | | |
| Salaries and employee benefits | | 442,665 | |
| Operating expenditures | | 21,120 | |
| Capital outlay | | 23,980 | |
| Contracted services | | 18,947 | |
| Total | 512,711 | 506,712 | 5,999 |
| Sanitation: | | | |
| Salaries and employee benefits | | 314,839 | |
| Operating expenditures | | 196,775 | |
| Capital outlay | | 369,940 | |
| Tipping fees | | 231,932 | |
| Debt service: | | | |
| Principal retirement | | 9,933 | |
| Interest and other charges | | 15,132 | |
| Total | 1,141,361 | 1,138,551 | 2,810 |
| EMS billing: | | | |
| Contracted services | | 32,681 | |
| Total | 35,625 | 32,681 | 2,944 |
| Contribution to NC Forest Service | 73,855 | 63,974 | 9,881 |
| Contributions to rescue and fire | 171,021 | 171,005 | 16 |
| Total public safety | 5,645,311 | 5,559,972 | 85,339 |
| Economic development: | | | |
| County planner: | | | |
| Salaries and employee benefits | | 70,242 | |
| Operating expenditures | | 1,204 | |
| Total | 72,001 | 71,446 | 555 |

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, 2021

| | Budget | Actual | Variance Positive (Negative) |
|--------------------------------|---------------|---------------|---|
| Urgent care project: | | | |
| Operating expenditures | | - | |
| Total | 12,000 | - | 12,000 |
| Building inspector: | | | |
| Salaries and employee benefits | | 110,003 | |
| Operating expenditures | | 5,524 | |
| Total | 116,142 | 115,527 | 615 |
| Southwestern Commission | 6,170 | 6,141 | 29 |
| Total economic development | 206,313 | 193,114 | 13,199 |
| Human services: | | | |
| Health department: | | | |
| Communicable diseases: | | | |
| Salaries and employee benefits | | 16,703 | |
| Operating expenditures | | 821 | |
| Total | | 17,524 | |
| Child health: | | | |
| Salaries and employee benefits | | 28,992 | |
| Operating expenditures | | 24,255 | |
| Total | | 53,247 | |
| Maternal health: | | | |
| Salaries and employee benefits | | 13,969 | |
| Total | | 13,969 | |
| Pregnancy/Ob care management: | | | |
| Salaries and employee benefits | | 1,371 | |
| Total | | 1,371 | |
| TB: | | | |
| Salaries and employee benefits | | 2,191 | |
| Operating expenditures | | 606 | |
| Total | | 2,797 | |
| Family planning: | | | |
| Salaries and employee benefits | | 41,491 | |
| Operating expenditures | | 17,595 | |
| Total | | 59,086 | |
| Healthy communities: | | | |
| Salaries and employee benefits | | 50,001 | |
| Operating expenditures | | 3,200 | |
| Total | | 53,201 | |
| Environmental health: | | | |
| Salaries and employee benefits | | 54,870 | |
| Operating expenditures | | 9,481 | |
| Total | | 64,351 | |
| HIV/STD: | | | |
| Salaries and employee benefits | | 4,450 | |
| Operating expenditures | | 6,197 | |
| Total | | 10,647 | |

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, 2021

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-------------------------------------|---------------|----------------|---|
| Breast cervical cancer prevention: | | | |
| Salaries and employee benefits | | 5,647 | |
| Operating expenses | | 10,398 | |
| Total | | <u>16,045</u> | |
| Dental: | | | |
| Salaries and employee benefits | | 349,645 | |
| Operating expenses | | 50,076 | |
| Total | | <u>399,721</u> | |
| Child service coordination: | | | |
| Salaries and employee benefits | | 3,232 | |
| Operating expenses | | 64 | |
| Total | | <u>3,296</u> | |
| General health: | | | |
| Salaries and employee benefits | | 63,505 | |
| Operating expenses | | 43,637 | |
| Contracted services | | 28,443 | |
| Total | | <u>135,585</u> | |
| Immunization action plan IAP5.278: | | | |
| Salaries and employee benefits | | 21,076 | |
| Operating expenses | | 28,346 | |
| Total | | <u>49,422</u> | |
| Smart Start: | | | |
| Salaries and employee benefits | | 27,754 | |
| Total | | <u>27,754</u> | |
| WIC: | | | |
| Salaries and employee benefits | | 58,956 | |
| Operating expenses | | 1,950 | |
| Total | | <u>60,906</u> | |
| Health department food and lodging: | | | |
| Salaries and employee benefits | | 24,144 | |
| Operating expenses | | 67 | |
| Total | | <u>24,211</u> | |
| Adult health: | | | |
| Salaries and employee benefits | | 57,806 | |
| Operating expenses | | 69,222 | |
| Total | | <u>127,028</u> | |
| Recovery to work: | | | |
| Salaries and employee benefits | | 24,761 | |
| Operating expenses | | 415 | |
| Insurance | | 2,072 | |
| Total | | <u>27,248</u> | |
| CLC: | | | |
| Salaries and employee benefits | | 14,153 | |
| Operating expenses | | 77 | |
| Total | | <u>14,230</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, 2021

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------------|------------------|------------------|---|
| Healthy Carolinians: | | | |
| Salaries and employee benefits | | 15,057 | |
| Total | | <u>15,057</u> | |
| Bioterrorism Grant: | | | |
| Salaries and employee benefits | | 42,848 | |
| Operating expenses | | 386 | |
| Total | | <u>43,234</u> | |
| CAP: | | | |
| Salaries and employee benefits | | 139,791 | |
| Operating expenses | | 7,016 | |
| Total | | <u>146,807</u> | |
| COVID-19 crisis response: | | | |
| Salaries and employee benefits | | 178,701 | |
| Operating expenses | | 24,601 | |
| Capital outlay | | 3,656 | |
| Total | | <u>206,958</u> | |
| Total health department | <u>1,602,910</u> | <u>1,573,695</u> | <u>29,215</u> |
| Veterans service officer: | | | |
| Operating expenses | | 4,000 | |
| Total veterans service officer | <u>4,000</u> | <u>4,000</u> | <u>-</u> |
| Social services: | | | |
| Administration: | | | |
| Salaries and employee benefits | | 1,474,648 | |
| Operating expenses | | 217,609 | |
| Total | <u>1,719,501</u> | <u>1,692,257</u> | <u>27,244</u> |
| Social service public assistance: | | | |
| Medical assistance | | 57 | |
| Work first | | 118,239 | |
| Foster care | | 175,584 | |
| Special assistance | | 41,861 | |
| Crisis intervention | | 131,084 | |
| Foster care - clothing | | 5,233 | |
| Total | <u>602,508</u> | <u>472,058</u> | <u>130,450</u> |
| Total social services | <u>2,322,009</u> | <u>2,164,315</u> | <u>157,694</u> |
| Senior citizens program: | | | |
| Administration: | | | |
| Salaries and employee benefits | | 153,628 | |
| Operating expenses | | 235,655 | |
| Capital outlay | | 45,807 | |
| Contracted services | | 95,931 | |
| Total senior citizens program | <u>572,014</u> | <u>531,021</u> | <u>40,993</u> |
| Transit: | | | |
| DOT transportation development grant | | | |
| Grant administrative expenditures: | | | |
| Salaries and employee benefits | | 118,004 | |
| Operating expenditures | | 18,349 | |

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, 2021

| | Budget | Actual | Variance Positive (Negative) |
|---|---------------|---------------|---|
| Grant operating expenditures: | | | |
| Salaries and employee benefits | | 285,450 | |
| Operating expenditures | | 68,681 | |
| Capital outlay | | 60,122 | |
| Total transit | 603,321 | 550,606 | 52,715 |
| Total human services | 5,104,254 | 4,823,637 | 280,617 |
| Cultural and recreational: | | | |
| 4-H: | | | |
| Operating expenditures | | 228 | |
| Total | 9,500 | 228 | 9,272 |
| Agriculture extension: | | | |
| Salaries and employee benefits | | 81,842 | |
| Operating expenditures | | 6,038 | |
| Total | 91,577 | 87,880 | 3,697 |
| Soil and water: | | | |
| Salaries and employee benefits | | 62,817 | |
| Operating expenditures | | 7,703 | |
| Total | 76,162 | 70,520 | 5,642 |
| Recreation: | | | |
| Salaries and employee benefits | | 87,669 | |
| Operating expenditures | | 26,811 | |
| Capital outlay | | 12,895 | |
| Contracted services | | 1,995 | |
| Total | 144,660 | 129,370 | 15,290 |
| Swimming pool: | | | |
| Salaries and employee benefits | | 23,083 | |
| Operating expenditures | | 15,620 | |
| Contracted services | | 625 | |
| Total | 40,377 | 39,328 | 1,049 |
| Contributions to regional library | 75,000 | 75,000 | - |
| Total cultural and recreation | 437,276 | 402,326 | 34,950 |
| Special appropriations: | | | |
| Education: | | | |
| Public schools - current | 1,000,000 | 1,000,000 | - |
| Public schools - SRS USFS Timber | 127,493 | 127,426 | 67 |
| Debt service: | | | |
| School Bond - capital outlay | 263,000 | 263,000 | - |
| School Bond - capital outlay - interest | 17,187 | 17,182 | 5 |
| QZAB debt - capital outlay | 84,394 | 84,394 | - |
| Tri-County Community College | 125,524 | 125,524 | - |
| Total education | 1,617,598 | 1,617,526 | 72 |
| Special appropriations: | | | |
| Contributions: | | | |
| JCPC | 76,835 | 76,835 | - |
| Regional mental health | 6,000 | 6,000 | - |
| State of Franklin | 4,000 | 4,000 | - |
| Other special appropriations | 69,028 | 68,600 | 428 |
| Total special appropriations | 155,863 | 155,435 | 428 |
| Total expenditures | 16,733,302 | 16,173,859 | 559,443 |
| Revenues over expenditures | (331,601) | 1,739,298 | 2,070,899 |

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, 2021

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|--------------------|----------------------------|---|
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers to other funds: | | | |
| School Capital Projects Fund | (208,478) | (208,478) | - |
| Revaluation Fund | (50,000) | (50,000) | - |
| Public Building Capital Projects Fund | (1,076,376) | (1,076,376) | - |
| Total net transfers | <u>(1,334,854)</u> | <u>(1,334,854)</u> | <u>-</u> |
| Proceeds from long term debt issued | <u>371,650</u> | <u>-</u> | <u>(371,650)</u> |
| Total other financing sources (uses) | <u>(963,204)</u> | <u>(1,334,854)</u> | <u>(371,650)</u> |
| Appropriated fund balance | <u>1,294,805</u> | <u>-</u> | <u>1,294,805</u> |
| Net change in fund balance | <u><u>\$ -</u></u> | <u>404,444</u> | <u><u>\$ 404,444</u></u> |
| Fund balances, beginning as previously reported | | 8,930,772 | |
| Prior period adjustment | | <u>(53,631)</u> | |
| Fund balances, beginning as restated | | <u>8,877,141</u> | |
| Fund balance, ending | | <u><u>\$ 9,281,585</u></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, 2021

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|---------------|---------------|---|
| REVENUES | | | |
| Investment earnings | \$ - | \$ 131 | \$ 131 |
| EXPENDITURES | | | |
| General government: | | | |
| Other operating expenditures | | 1,722 | |
| Contracted services | | 86,724 | |
| Total expenditures | 95,000 | 88,446 | 6,554 |
| Revenues over (under) expenditures | (95,000) | (88,315) | 6,685 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer from: | | | |
| General fund | 50,000 | 50,000 | - |
| Total other financing sources (uses) | 50,000 | 50,000 | - |
| Appropriated fund balance | 45,000 | - | (45,000) |
| Revenues, other sources, and appropriated fund balance over (under) expenditures | \$ - | (38,315) | \$ (38,315) |
| Fund balance, beginning | | 192,597 | |
| Fund balance, ending | | \$ 154,282 | |

Graham County, North Carolina
American Recovery Grant Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

| | | Actual | | | |
|---|--------------------------|---------------|-----------------|---------------------|------------------------------------|
| | Project Authorization | Prior Year | Current Year | Total to Date | Variance Positive (Negative) |
| REVENUES | | | | | |
| Restricted intergovernmental: | | | | | |
| Coronavirus State and Local Fiscal Recovery Funds | \$ 1,639,565 | \$ - | \$ - | \$ - | \$ (1,639,565) |
| Investment earnings | - | - | 76 | 76 | 76 |
| Total revenues | 1,639,565 | - | 76 | 76 | (1,639,489) |
| EXPENDITURES | | | | | |
| Public Safety: | | | | | |
| Salaries and employee benefits | | - | - | - | |
| Operating expenses | | - | - | - | |
| Contracted services | | - | - | - | |
| Total expenditures | 1,639,565 | - | - | - | - |
| Revenues over (under) expenditures | - | - | 76 | 76 | (1,639,489) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfer in from General Fund | - | - | - | - | - |
| Transfer out to General Fund | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Revenues and other sources | | | | | |
| over (under) expenditures | \$ - | \$ - | 76 | \$ 76 | \$ (1,639,489) |
| Fund balance, beginning | | | - | | |
| Fund balance, ending | | | \$ 76 | | |

Graham County, North Carolina
NC Neighborhood Program Grant Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

| | | Actual | | | |
|--|----------------------------------|-----------------------|-------------------------|------------------------------|---|
| | Project Authorization | Prior Year | Current Year | Total to Date | Variance Positive (Negative) |
| REVENUES | | | | | |
| Restricted intergovernmental: | | | | | |
| Community Development Block Grant | | | | | |
| Neighborhood Revitalization Program | \$ 750,000 | \$ 14,493 | \$ 22,321 | \$ 36,814 | \$ (713,186) |
| Coronavirus (CDBG-CV) Program | 900,000 | - | 19,800 | 19,800 | (880,200) |
| Investment earnings | - | | 36 | 36 | 36 |
| Total revenues | <u>1,650,000</u> | <u>14,493</u> | <u>42,157</u> | <u>56,650</u> | <u>(1,593,350)</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Economic and physical development: | | | | | |
| Neighborhood Revitalization Program | 750,000 | 14,493 | 22,321 | 36,814 | 713,186 |
| Coronavirus (CDBG-CV) Program | <u>900,000</u> | <u>-</u> | <u>19,800</u> | <u>19,800</u> | <u>880,200</u> |
| Total expenditures | <u>1,650,000</u> | <u>14,493</u> | <u>42,121</u> | <u>56,614</u> | <u>1,593,386</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>36</u> | <u>36</u> | <u>36</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfer in: | | | | | |
| General fund | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues and other sources | | | | | |
| over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>36</u> | <u>\$ 36</u> | <u>\$ 36</u> |
| Fund balance, beginning as previously reported | | | - | | |
| Prior period adjustment | | | 47,731 | | |
| Fund balance, beginning as restated | | | <u>47,731</u> | | |
| Fund balance, ending | | | <u>\$ 47,767</u> | | |

Graham County, North Carolina
Public Building Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

| | | Actual | | | |
|---|--------------------------|---------------|-----------------|---------------------|------------------------------------|
| | Project Authorization | Prior Year | Current Year | Total to Date | Variance Positive (Negative) |
| REVENUES | | | | | |
| Restricted intergovernmental: | | | | | |
| Investment earnings | \$ - | \$ 25,767 | \$ 353 | \$ 26,120 | \$ 26,120 |
| Total revenues | - | 25,767 | 353 | 26,120 | 26,120 |
| EXPENDITURES | | | | | |
| Capital outlay: | | | | | |
| Human services | | | | | |
| Engineering and construction | 2,500,000 | 1,471,916 | - | 1,471,916 | 1,028,084 |
| General government | | | | | |
| Planning, engineering and construction | 1,076,376 | - | 9,300 | 9,300 | 1,067,076 |
| Total expenditures | 3,576,376 | 1,471,916 | 9,300 | 1,481,216 | 2,095,160 |
| Revenues over (under) expenditures | (3,576,376) | (1,446,149) | (8,947) | (1,455,096) | 2,121,280 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfer in: | | | | | |
| General fund | 1,076,376 | - | 1,076,376 | 1,076,376 | - |
| Installment purchase proceeds | 2,500,000 | 2,873,000 | - | 2,873,000 | 373,000 |
| Total other financing sources (uses) | 3,576,376 | 2,873,000 | 1,076,376 | 3,949,376 | 373,000 |
| Revenues and other sources over (under) expenditures | \$ - | \$ 1,426,851 | 1,067,429 | \$ 2,494,280 | \$ 2,494,280 |
| Fund balance, beginning | | | 1,426,851 | | |
| Fund balance, ending | | | \$ 2,494,280 | | |

Graham County, North Carolina
School Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

| | | Actual | | | |
|---|----------------------------------|-----------------------|-------------------------|------------------------------|---|
| | Project Authorization | Prior Year | Current Year | Total to Date | Variance Positive (Negative) |
| REVENUES | | | | | |
| Restricted intergovernmental: | | | | | |
| Needs-Based Public School Capital Fund | \$ 3,200,000 | \$ 18,471 | \$ 625,435 | \$ 643,906 | \$ (2,556,094) |
| Total revenues | 3,200,000 | 18,471 | 625,435 | 643,906 | (2,556,094) |
| EXPENDITURES | | | | | |
| Capital outlay: | | | | | |
| Intergovernmental - education | | | | | |
| Architecture, engineering and construction | 4,266,667 | 24,628 | 818,264 | 842,892 | 3,423,775 |
| Total expenditures | 4,266,667 | 24,628 | 818,264 | 842,892 | 3,423,775 |
| Revenues over (under) expenditures | (1,066,667) | (6,157) | (192,829) | (198,986) | 867,681 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfer in: | | | | | |
| General fund | 1,066,667 | 6,157 | 208,478 | 214,635 | (852,032) |
| Total other financing sources (uses) | 1,066,667 | 6,157 | 208,478 | 214,635 | (852,032) |
| Revenues and other sources over (under) expenditures | \$ - | \$ - | 15,649 | \$ 15,649 | \$ 15,649 |
| Fund balance, beginning | | | 4,100 | | |
| Fund balance, ending | | | \$ 19,749 | | |

Combining Statements for Nonmajor Governmental Funds

The County has the following nonmajor governmental funds:

Special Revenue Funds:

- **Emergency Telephone System 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. In the current fiscal year, additional funding was obtained from the Appalachian Regional Commission to further the economic development activities within the County.
- **CARES Act Fund** – The federal government passed the Coronavirus Aid, Relief, And Economic Security Act (CARES Act) on March 27, 2020 to provide financial relief to State and local governments for necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19). This fund accounts for such expenses.
- **Representative Payee Fund** - This fund accounts for monies held by the Social Services Department for the benefit of certain individuals in the County.
- **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.
- **Fines and Forfeitures Fund** – This fund accounts for legal fines and forfeitures collected by the County that are required to be remitted to the Graham County Board of Education.

Graham County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

| | Special Revenue Funds | | | | | | | |
|---|--|---------------------------|----------------|---------------------------|--------------------|----------------------------|--------------------------------------|-----------------------------------|
| | Emergency Telephone Special Revenue Fund | Economic Development Fund | CARES Act Fund | Representative Payee Fund | Deed of Trust Fund | Fines and Forfeitures Fund | Total Nonmajor Special Revenue Funds | Total Nonmajor Governmental Funds |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ 120,534 | \$ 1,071 | \$ 16,317 | \$ 137,922 | \$ 137,922 |
| Restricted cash and cash equivalents | 291,552 | 155,693 | 15,820 | - | - | - | 463,065 | 463,065 |
| Accounts receivable, net | 6,383 | - | - | - | - | - | 6,383 | 6,383 |
| Due from other governments | 6,689 | 78 | - | - | - | - | 6,767 | 6,767 |
| Due from other funds | 171,370 | - | - | - | - | - | 171,370 | 171,370 |
| Total assets | \$ 475,994 | \$ 155,771 | \$ 15,820 | \$ 120,534 | \$ 1,071 | \$ 16,317 | \$ 785,507 | \$ 785,507 |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 365 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 365 | \$ 365 |
| Payable from restricted assets | - | - | - | - | - | - | - | - |
| Due to other governments | - | - | - | - | 1,071 | 16,317 | 17,388 | 17,388 |
| Unearned revenue | - | - | 15,820 | - | - | - | 15,820 | 15,820 |
| Total liabilities | 365 | - | 15,820 | - | 1,071 | 16,317 | 33,573 | 33,573 |
| Fund balances: | | | | | | | | |
| Restricted: | | | | | | | | |
| Stabilization by State statute | 184,442 | 78 | - | - | - | - | 184,520 | 184,520 |
| Public safety | 291,187 | - | - | - | - | - | 291,187 | 291,187 |
| Economic and physical development | - | 155,693 | - | - | - | - | 155,693 | 155,693 |
| Human services | - | - | - | 120,534 | - | - | 120,534 | 120,534 |
| Unassigned | - | - | - | - | - | - | - | - |
| Total fund balances | 475,629 | 155,771 | - | 120,534 | - | - | 751,934 | 751,934 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 475,994 | \$ 155,771 | \$ 15,820 | \$ 120,534 | \$ 1,071 | \$ 16,317 | \$ 785,507 | \$ 785,507 |

Graham County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

| | Special Revenue Funds | | | | | | | | |
|---|---|----------------------------------|-----------------------|----------------------------------|---------------------------|-----------------------------------|---|--|--|
| | Emergency Telephone Special Revenue Fund | Economic Development Fund | CARES Act Fund | Representative Payee Fund | Deed of Trust Fund | Fines and Forfeitures Fund | Total Nonmajor Special Revenue Funds | Total Nonmajor Governmental Funds | |
| REVENUES | | | | | | | | | |
| Restricted intergovernmental | \$ 76,594 | \$ - | \$ 246,768 | \$ 369,742 | \$ - | \$ - | \$ 693,104 | \$ 693,104 | |
| Other restricted revenues | | | | - | - | - | - | - | |
| Permits and fees | | | | - | 11,251 | - | 11,251 | 11,251 | |
| Sales and services | | 19,996 | | - | - | 16,317 | 36,313 | 36,313 | |
| Investment earnings | 255 | 81 | - | - | - | - | 336 | 336 | |
| Total revenues | 76,849 | 20,077 | 246,768 | 369,742 | 11,251 | 16,317 | 741,004 | 741,004 | |
| EXPENDITURES | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | - | | - | - | 11,251 | 16,317 | 27,568 | 27,568 | |
| Public safety | 134,306 | - | 246,768 | - | - | - | 381,074 | 381,074 | |
| Economic and physical development | - | 1,806 | - | - | - | - | 1,806 | 1,806 | |
| Human services | - | | - | 332,896 | - | - | 332,896 | 332,896 | |
| Total expenditures | 134,306 | 1,806 | 246,768 | 332,896 | 11,251 | 16,317 | 743,344 | 743,344 | |
| Excess (deficiency) of revenues over expenditures | (57,457) | 18,271 | - | 36,846 | - | - | (2,340) | (2,340) | |
| Net change in fund balances | (57,457) | 18,271 | - | 36,846 | - | - | (2,340) | (2,340) | |
| Fund balances, beginning as previously reported | 529,283 | 137,500 | - | - | - | - | 666,783 | 666,783 | |
| Prior period adjustment | 3,803 | - | - | 83,688 | - | - | 87,491 | 87,491 | |
| Fund balances, beginning as restated | 533,086 | 137,500 | - | 83,688 | - | - | 754,274 | 754,274 | |
| Fund balances, ending | \$ 475,629 | \$ 155,771 | \$ - | \$ 120,534 | \$ - | \$ - | \$ 751,934 | \$ 751,934 | |

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, 2021

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|--------------------|--------------------------|---|
| REVENUES | | | |
| Restricted intergovernmental | | \$ 76,594 | |
| Investment earnings | | 255 | |
| Total revenues | <u>\$ 75,694</u> | <u>76,849</u> | <u>\$ 1,155</u> |
| EXPENDITURES | | | |
| Public safety | 145,694 | 134,306 | 11,388 |
| Total expenditures | <u>145,694</u> | <u>134,306</u> | <u>11,388</u> |
| Revenues over (under) expenditures | <u>(70,000)</u> | <u>(57,457)</u> | <u>12,543</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer in from General Fund | - | - | - |
| Transfer out to General Fund | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Appropriated fund balance | <u>70,000</u> | <u>-</u> | <u>(70,000)</u> |
| Net change in fund balance | <u><u>\$ -</u></u> | <u>(57,457)</u> | <u><u>\$ (57,457)</u></u> |
| Fund balance, beginning as previously reported | | 529,283 | |
| Prior period adjustment | | <u>3,803</u> | |
| Fund balance, beginning | | <u>533,086</u> | |
| Fund balance, ending | | <u><u>\$ 475,629</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, 2021

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---------------------------------------|--------------------|--------------------------|---|
| REVENUES | | | |
| Sales and services | | \$ 19,996 | |
| Investment earnings | | 81 | |
| Total revenues | <u>\$ -</u> | <u>20,077</u> | <u>\$ 20,077</u> |
| EXPENDITURES | | | |
| Economic and physical development | | | |
| Other operating expenses | | 1,806 | |
| Total expenditures | <u>25,000</u> | <u>1,806</u> | <u>23,194</u> |
| Revenues over (under) expenditures | <u>(25,000)</u> | <u>18,271</u> | <u>43,271</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer in: | | | |
| General fund | <u>-</u> | <u>-</u> | <u>-</u> |
| Appropriated fund balance | <u>25,000</u> | <u>-</u> | <u>(25,000)</u> |
| Net change in fund balance | <u><u>\$ -</u></u> | <u>18,271</u> | <u><u>\$ 18,271</u></u> |
| Fund balance, beginning | | <u>137,500</u> | |
| Fund balance, ending | | <u><u>\$ 155,771</u></u> | |

Graham County, North Carolina
Fines and Forfeitures Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|---------------|---------------|---|
| REVENUES | | | |
| Sales and services | | | |
| Penalties, fines and forfeitures | | \$ 16,317 | |
| Total revenues | \$ 16,500 | 16,317 | \$ (183) |
| EXPENDITURES | | | |
| Current: | | | |
| General government | | | |
| Payments of penalties, fines and forfeitures to the Graham County Board of Education | 16,500 | 16,317 | 183 |
| Total expenditures | 16,500 | 16,317 | 183 |
| Revenues over (under) expenditures | - | - | - |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer in from General Fund | - | - | - |
| Transfer out to General Fund | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Appropriated fund balance | - | - | - |
| Net change in fund balance | \$ - | - | \$ - |
| Fund balance, beginning as previously reported | | - | |
| Prior period restatement - change in accounting principle | | - | |
| Fund balance, beginning as restated | | - | |
| Fund balance, ending | | \$ - | |

Graham County, North Carolina

CARES Act Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021**

| | | Actual | | | |
|--------------------------------------|--------------------------|---------------|-----------------|---------------------|------------------------------------|
| | Project Authorization | Prior Year | Current Year | Total to Date | Variance Positive (Negative) |
| REVENUES | | | | | |
| Restricted intergovernmental | | | | | |
| Coronavirus Relief Fund | | \$ 288,572 | \$ 246,768 | \$ 535,340 | |
| Total revenues | \$ 551,160 | 288,572 | 246,768 | 535,340 | \$ (304,392) |
| EXPENDITURES | | | | | |
| Public safety | | | | | |
| Salaries and employee benefits | | 86,053 | 169,044 | 255,097 | |
| Operating expenses | | - | 65,484 | 65,484 | |
| Contracted services | | 202,519 | - | 202,519 | |
| Municipal subrecipients | | - | 12,240 | 12,240 | |
| Total expenditures | 551,160 | 288,572 | 246,768 | 535,340 | 304,392 |
| Revenues over (under) expenditures | - | - | - | - | - |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfer in from General Fund | - | - | - | - | - |
| Transfer out to General Fund | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Appropriated fund balance | - | - | - | - | - |
| Revenues and other sources | | | | | |
| over (under) expenditures | \$ - | \$ - | - | \$ - | \$ - |
| Fund balance, beginning | | | - | | |
| Fund balance, ending | | | \$ - | | |

Graham County, North Carolina
Representative Payee Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|--------------------|--------------------------|---|
| REVENUES | | | |
| Restricted intergovernmental | | \$ 369,742 | |
| Total revenues | <u>\$ 350,000</u> | <u>369,742</u> | <u>\$ 19,742</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Human services | | | |
| Payments made for the benefit of beneficiaries | 350,000 | 332,896 | 17,104 |
| Total expenditures | <u>350,000</u> | <u>332,896</u> | <u>17,104</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>36,846</u> | <u>36,846</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer in from General Fund | - | - | - |
| Transfer out to General Fund | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Appropriated fund balance | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | <u><u>\$ -</u></u> | <u>36,846</u> | <u><u>\$ 36,846</u></u> |
| Fund balance, beginning as previously reported | | - | |
| Prior period restatement - change in accounting principle | | <u>83,688</u> | |
| Fund balance, beginning as restated | | <u>83,688</u> | |
| Fund balance, ending | | <u><u>\$ 120,534</u></u> | |

Graham County, North Carolina
Deed of Trust Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|---------------|---------------|---|
| REVENUES | | | |
| Permits and fees | | | |
| Register of deeds | | \$ 11,251 | |
| Total revenues | \$ 11,400 | 11,251 | \$ (149) |
| EXPENDITURES | | | |
| Current: | | | |
| General government | | | |
| Payments of fees collected to the State of North Carolina | 11,400 | 11,251 | 149 |
| Total expenditures | 11,400 | 11,251 | 149 |
| Revenues over (under) expenditures | - | - | - |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer in from General Fund | - | - | - |
| Transfer out to General Fund | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Appropriated fund balance | - | - | - |
| Net change in fund balance | <u>\$ -</u> | - | <u>\$ -</u> |
| Fund balance, beginning as previously reported | | - | |
| Prior period restatement - change in accounting principle | | - | |
| Fund balance, beginning as restated | | - | |
| Fund balance, ending | | <u>\$ -</u> | |

Custodial Funds

Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria.

- **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.
- **Jail Inmate Pay Fund** - This fund accounts for funds held by the County on the behalf of inmates while they are incarcerated.
- **4-H Club Fund** - This fund accounts for monies held by the County for the benefit of 4-H activities.

Graham County, North Carolina
Combining Statement of Fiduciary Net Position
Custodial Funds
For the Fiscal Year Ended June 30, 2021

| | Municipal Tax Fund | Jail Inmate Pay Fund | 4-H Club Fund | Custodial Funds |
|---|--------------------------|----------------------------|---------------|--------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 3,275 | \$ 2,046 | \$ 4,604 | \$ 9,925 |
| LIABILITIES AND NET POSITION | | | | |
| LIABILITIES | | | | |
| Due to others | - | - | 4,604 | 4,604 |
| Due to other governments | 3,275 | - | - | 3,275 |
| Total liabilities | 3,275 | - | 4,604 | 7,879 |
| NET POSITION | | | | |
| Restricted for: | | | | |
| Individuals, organizations, and other governments | - | 2,046 | - | 2,046 |
| Total fiduciary net position | \$ - | \$ 2,046 | \$ - | \$ 2,046 |

Graham County, North Carolina
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Fiscal Year Ended June 30, 2021

| | Municipal Tax Fund | Jail Inmate Pay Fund | 4-H Club Fund | Custodial Funds |
|---|--------------------------|----------------------------|---------------------|--------------------|
| ADDITIONS | | | | |
| Ad valorem taxes collected for other governments | \$ 544,792 | \$ - | \$ - | \$ 544,792 |
| Collection on behalf of inmates | - | 4,554 | - | 4,554 |
| Collection on behalf of 4-H Club | - | - | 5,862 | 5,862 |
| Total additions | 544,792 | 4,554 | 5,862 | 555,208 |
| DEDUCTIONS | | | | |
| Tax distributions to other governments | 544,792 | - | - | 544,792 |
| Payments on behalf of inmates | - | 3,236 | - | 3,236 |
| Payments on behalf of 4-H Club | - | - | 5,862 | 5,862 |
| Total deductions | 544,792 | 3,236 | 5,862 | 553,890 |
| Net increase (decrease) in fiduciary net position | - | 1,318 | - | 1,318 |
| Net position, beginning as previously reported | - | - | - | - |
| Prior period restatement - change in accounting principle | - | 728 | - | 728 |
| Net position, beginning as restated | - | 728 | - | 728 |
| Net position - ending | \$ - | \$ 2,046 | \$ - | \$ 2,046 |

Other Schedules

This section contains additional information on property taxes.

- 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, 2021

| <u>Fiscal Year</u> | <u>Uncollected Balance June 30, 2020</u> | <u>Additions</u> | <u>Collections And Credits</u> | <u>Uncollected Balance June 30, 2021</u> |
|---|--|---------------------|------------------------------------|--|
| 2020-2021 | \$ - | \$ 7,824,874 | \$ 7,655,146 | \$ 169,728 |
| 2019-2020 | 243,703 | - | 147,452 | 96,251 |
| 2018-2019 | 95,488 | - | 35,204 | 60,284 |
| 2017-2018 | 54,662 | - | 14,148 | 40,514 |
| 2016-2017 | 49,991 | - | 9,289 | 40,702 |
| 2015-2016 | 39,308 | - | 6,942 | 32,366 |
| 2014-2015 | 31,297 | - | 3,167 | 28,130 |
| 2013-2014 | 16,658 | - | 1,675 | 14,983 |
| 2012-2013 | 19,811 | - | 728 | 19,083 |
| 2011-2012 | 13,539 | - | 738 | 12,801 |
| 2010-2011 | 16,960 | - | 16,960 | |
| | <u>\$ 581,417</u> | <u>\$ 7,824,874</u> | <u>\$ 7,891,449</u> | 514,842 |
| Less: allowance for uncollectible accounts: | | | | |
| General Fund | | | | <u>(228,663)</u> |
| Ad valorem taxes receivable - net: | | | | |
| General Fund | | | | <u>\$ 286,179</u> |
| <u>Reconciliation with revenues:</u> | | | | |
| Ad valorem taxes - General fund | | | | \$ 7,913,436 |
| Reconciling items: | | | | |
| Garnishment fees | | | | (6,317) |
| Taxes written off | | | | 14,067 |
| Less: interest collected | | | | (62,008) |
| Other adjustments | | | | 32,271 |
| Total reconciling items | | | | <u>(21,987)</u> |
| Total collections and credits | | | | <u>\$ 7,891,449</u> |

Graham County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2021

| | 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 | \$ 1,152,808,462 | 0.650 | \$7,493,255 | \$ 6,879,691 | \$ 613,564 |
| Total | 1,152,808,462 | | 7,493,255 | 6,879,691 | 613,564 |
| Discoveries: | | | | | |
| Current year taxes | 51,461,538 | 0.650 | 334,500 | 334,500 | - |
| Total | 51,461,538 | | 334,500 | 334,500 | - |
| Abatements | (443,231) | | (2,881) | (2,881) | - |
| Total property valuation | <u>\$ 1,203,826,769</u> | | | | |
| Net levy | | | 7,824,874 | 7,211,310 | 613,564 |
| Uncollected taxes at June 30, 2021 | | | (169,728) | (169,728) | - |
| Current year's taxes collected | | | <u>\$7,655,146</u> | <u>\$ 7,041,582</u> | <u>\$ 613,564</u> |
| Current levy collection percentage | | | <u>97.83%</u> | <u>97.65%</u> | <u>100.00%</u> |

Secondary Market Disclosures:

| | | |
|---|----|---------------|
| Assessed valuation: | | |
| Assessment ratio ¹ | | 100% |
| Real property | \$ | 1,032,957,086 |
| Personal property | | 130,322,723 |
| Public service companies ² | | 40,546,960 |
| Total assessed valuation | \$ | 1,203,826,769 |
| Tax rate per \$100 | | 0.650 |
| Levy (includes discoveries, releases and abatements) ³ | \$ | 7,824,874 |

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, 2021**

| <u>Taxpayer</u> | <u>Type of Business</u> | <u>Assessed Valuation</u> | <u>Percentage of Total Assessed Valuation</u> |
|--------------------------------|-------------------------|-------------------------------|---|
| Brookfield Smoky Mountain | Commercial | \$ 214,515,581 | 17.82% |
| Phillips and Jordan Inc. | Commercial | 9,229,689 | 0.77% |
| MSK Hospitality LLC | Commercial | 2,954,609 | 0.25% |
| Britthaven Inc. | Commercial | 2,365,330 | 0.20% |
| Tapoco Partners LLC | Commercial | 2,261,340 | 0.19% |
| State Employees Credit Union | Commercial | 2,073,150 | 0.17% |
| Snowbird Mountain Lodge | Commercial | 2,065,190 | 0.17% |
| Parks Martha Ann | Commercial | 1,807,670 | 0.15% |
| American Upland Land Trust LLC | Commercial | 1,742,340 | 0.14% |
| Winslow Kelly | Commercial | 1,313,660 | 0.11% |
| Total | | <u>\$ 240,328,559</u> | <u>19.97%</u> |

Compliance Section

Turner & Company CPAs P.A.

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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, 2021, and the related notes to the financial statements, which collectively comprises Graham County's basic financial statements, and have issued our report thereon dated March 1, 2022. The financial statements of the Tourism Development Authority and the Rural Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Graham County's internal control over financial reporting (internal control) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency: Item 2021-001.

Compliance and Other Matters

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

Graham County's Response to Findings

Graham County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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
March 1, 2022

Turner & Company CPAs P.A.

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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal and State Awards Required by 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, 2021. Graham County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Programs

In our opinion, Graham County complied, in all material aspects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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 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 federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.

Murphy, North Carolina

March 1, 2022

Turner & Company CPAs P.A.

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Independent Auditors' Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

To the Board of Commissioners
Graham County, North Carolina

Report on Compliance for Each Major State Program

We have audited Graham County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Graham County's major state programs for the year ended June 30, 2021. 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, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.

Murphy, North Carolina

March 1, 2022

Graham County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

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)? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

| Names of Federal Program or Cluster | CFDA No(s). |
|---|-------------|
| Medical Assistance Program (Title XIX – Medicaid) | 93.778 |
| Coronavirus Relief Fund | 21.019 |

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 |
|--|
| Public School Building Capital Fund - Needs Based Lottery Proceeds |

**Graham County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021**

II. Financial Statement Findings

Finding: 2021-001

SIGNIFICANT DEFICIENCY

Criteria: G.S. 159-34(a) states that each unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year.

Condition: The audited financial statements were not submitted by the due date of October 31, 2021.

Effect: Financial and/or operational problems could go undetected in the current fiscal year. Pertinent information may be inaccessible by various external groups such as the North Carolina General Assembly, federal and state funding agencies, and other public associations.

Cause: The impact of the COVID-19 pandemic created mutual scheduling and logistical difficulties, impeding the completion of the work necessary to deliver the audited financial statements on the due date of October 31, 2021. Despite being able to work remotely, lack of quality, dependable, high-speed internet throughout most of the far western part of the state caused tremendous delays in the exchange of information. By the time the County staff was able to submit the required information to the audit firm, the audit firm was required to focus on other duties and deadlines.

Recommendation: The County should implement procedures to ensure that required reporting is completed timely and accurately.

Views of responsible officials and planned corrective actions: The County agrees with this finding and will adhere to the corrective action plan on page 97 in this audit report.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.



Graham County Board of County Commissioners

*Connie Orr
Chair*

*12 North Main Street
Robbinsville, NC 28771*

*Keith Eller
Vice-Chairman*

*Lynn Cody
Member*

*Phone: 828-479-7961
Fax: 828-479-7988*

*Jacob Nelms
Member*

*Dale Wiggins
Member*

*Jason Marino
County Manager*

*Kim Crisp
Clerk*

**Corrective Action Plan
For the Fiscal Year Ended June 30, 2021**

II. Financial Statement Findings

Finding: 2021-001

Name of contact person: Rebecca E. Garland, MPA, CPA - Director of Finance

Corrective Action: The County is working to develop and incorporate procedures to ensure that the data is collected, reviewed, and reported accurately and timely. However, the implementation is a challenge because of the continued impact of the COVID-19 pandemic on daily operations.

Proposed Completion Date: As soon as possible

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.



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County Manager*

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Clerk*

**Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2021**

None reported.

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | State/ Pass-through Grantor's Number | Federal (Direct & Pass-through) Expenditures | State Expenditures | Provided to Subrecipients |
|---|---------------------------|---|---|-----------------------|---------------------------------|
| 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 | \$ 124,542 | \$ - | \$ - |
| Passed-through the N.C. Department of Health and Human Services: | | | | | |
| Division of Public Health: | | | | | |
| Administration: | | | | | |
| Special Supplemental Nutrition Program for Women, Infants, & Children (Note 5) | 10.557 | XXXX | 55,634 | - | - |
| Total U.S. Department of Agriculture | | | 180,176 | - | - |
| <u>U.S. Department of Justice</u> | | | | | |
| Passed-through the N.C. Department of Public Safety: | | | | | |
| North Carolina Governor's Crime Commission | | | | | |
| Coronavirus Emergency Supplemental Funding | 16.034 | XXXX | 9,875 | - | - |
| Total U.S. Department of Justice | | | 9,875 | - | - |
| <u>U.S. Department of Housing and Urban Development</u> | | | | | |
| Passed-through the N.C. Department of Commerce: | | | | | |
| Community Development Block Grant, State's Program | | | | | |
| Neighborhood Revitalization Program | 14.228 | 17-C-2984 | 22,321 | - | - |
| Coronavirus (CDBG-CV) Program | 14.228 | CDBG-20-V-3514 | 19,800 | | |
| Total U.S. Department of Housing and Urban Development | | | 42,121 | - | - |
| <u>U.S. Department of Transportation</u> | | | | | |
| Passed-through the N.C. Department of Transportation: | | | | | |
| Formula Grants for Other than Urbanized Areas - Capital | 20.509 | XXXX | 46,709 | 5,839 | - |
| Formula Grants for Other than Urbanized Areas - Administration | 20.509 | XXXX | 94,494 | 5,914 | - |
| Formula Grants for Other than Urbanized Areas - Operating | 20.509 | XXXX | 155,019 | - | - |
| CARES Act Provider Relief Fund | 20.509 | XXXX | 78,282 | - | - |
| <u>Transit Services Programs Cluster:</u> | | | | | |
| Enhanced Mobility of Seniors and Individuals with Disabilities | 20.513 | XXXX | 55,550 | 6,943 | - |
| Total Transit Services Programs Cluster | | | 55,550 | 6,943 | - |
| Total U.S. Department of Transportation | | | 430,054 | 18,696 | - |
| <u>U.S. Department of Homeland Security</u> | | | | | |
| Passed-through N.C. Department of Public Safety: | | | | | |
| Emergency Management Performance Grant | 97.039 | XXXX | 50,345 | - | - |
| Total U. S. Department of Homeland Security | | | 50,345 | - | - |
| <u>Appalachian Regional Commission</u> | | | | | |
| Passed-through Appalachian Regional Commission: | | | | | |
| Graham County Workforce Health Support Program | 23.001 | NC-19347-19 | 39,835 | 11,373 | - |
| Recovery to Work: Resilience, Engagement, and Growth in Graham Co. | 23.002 | NC-19866 | 16,717 | - | - |
| Total Appalachian Regional Commission | | | 56,552 | 11,373 | - |
| <u>U.S. Election Assistance Commission</u> | | | | | |
| Passed-through the North Carolina State Board of Elections: | | | | | |
| COVID-19 HAVA Election Security Grants | 90.404 | XXXX | 86,012 | - | - |
| Total U.S. Election Assistance Commission | | | 86,012 | - | - |

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | State/ Pass-through Grantor's Number | Federal (Direct & Pass-through) Expenditures | State Expenditures | Provided to Subrecipients |
|---|---------------------------|---|---|-----------------------|---------------------------------|
| <u>U.S. Department of Treasury</u> | | | | | |
| Passed-through the Office of State Budget and Management: NC Pandemic Recovery Office | | | | | |
| Coronavirus Relief Fund (Note 6) | 21.019 | XXXX | 246,768 | - | 12,240 |
| Passed-through the N.C. Department of Health and Human Services: Division of Public Health: | | | | | |
| Coronavirus Relief Fund | 21.019 | XXXX | 29,479 | - | - |
| Total U. S. Department of Treasury | | | 276,247 | - | 12,240 |
| <u>U.S. Department of Health & Human Services</u> | | | | | |
| Administration on Aging: Passed-through Southwestern Commission Council of Governments: Division of Aging and Adult Services: | | | | | |
| <u>Aging Cluster:</u> | | | | | |
| Special Programs for the Aging - Title III C | | | | | |
| Nutrition Services | 93.045 | XXXX | 132,636 | - | - |
| Nutrition Services Incentive Program | 93.053 | XXXX | 12,096 | - | - |
| Total Aging Cluster | | | 144,732 | - | - |
| Passed-through the N.C. Department of Health and Human Services: Division of Social Services: | | | | | |
| <u>Temporary Assistance for Needy Families (TANF) Cluster</u> | | | | | |
| Temporary Assistance for Needy Families (TANF) | 93.558 | XXXX | 4,212 | 994 | - |
| TANF - Work First Administration | 93.558 | XXXX | 34,135 | - | - |
| TANF - Work First Service | 93.558 | XXXX | 107,531 | - | - |
| Total TANF Cluster | | | 145,878 | 994 | - |
| <u>Foster Care and Adoption Cluster (Note 4 & 5)</u> | | | | | |
| Adoption Assistance Title IV-E - Optional Adoption Training | 93.658 | XXXX | 640 | - | - |
| Foster Care Title IV-E - Administration | 93.658 | XXXX | 24,527 | - | - |
| Foster Care Title IV-E - Child Protective Services | 93.658 | XXXX | 22,603 | 3,207 | - |
| Foster Care Title IV-E - Foster Care Training | 93.658 | XXXX | 1,128 | - | - |
| Foster Care Title IV-E - Foster Care/Off Training | 93.658 | XXXX | 111,787 | - | - |
| Direct Benefit Payments | | | | | |
| Foster Care Title IV-E - IV-E Administration | 93.658 | XXXX | (209) | 77 | - |
| Foster Care Title IV-E - Family Foster Care Max | 93.658 | XXXX | (4,007) | (1,244) | - |
| Foster Care Title IV-E - Foster Care | 93.658 | XXXX | 62,575 | 14,229 | - |
| Foster Care Title IV-E - Foster Care & Extended Max | 93.659 | XXXX | 1,225 | 236 | - |
| Total Foster Care and Adoption Cluster (Note 4) | | | 220,269 | 16,505 | - |
| Promoting Safe and Stable Families | 93.556 | XXXX | 16,370 | - | - |
| Child Support Enforcement | 93.563 | XXXX | 70,615 | 33 | - |
| Low-Income Home Energy Assistance: | | | | | |
| Administration | 93.568 | XXXX | 5,566 | - | - |
| COVID-19 - Administration | 93.568 | XXXX | 1,382 | - | - |
| Energy Assistance Payments | 93.568 | XXXX | 51,284 | - | - |
| COVID-19 - Energy Assistance Payments | 93.568 | XXXX | 33,394 | - | - |
| Total Low-Income Home Energy Assistance | | | 91,626 | - | - |
| Stephanie Tubbs Jones Child Welfare Services Program: | | | | | |
| Permanency Planning - Families for Kids | 93.645 | XXXX | 3,234 | - | - |
| Total Stephanie Tubbs Jones Child Welfare Services Program | | | 3,234 | - | - |
| SSBG - Other Service and Training | 93.667 | XXXX | 77,207 | - | - |
| Division of Aging and Adult Services: Division of Social Services: | | | | | |
| SSBG - State In Home Service Fund | 93.667 | XXXX | 7,540 | - | - |
| Total Social Service Block Grant | | | 84,747 | - | - |

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | State/ Pass-through Grantor's Number | Federal (Direct & Pass-through) Expenditures | State Expenditures | Provided to Subrecipients |
|--|---------------------------|---|---|-----------------------|---------------------------------|
| Division of Child Development and Early Education: | | | | | |
| Subsidized Child Care (Note 5) | | | | | |
| <u>Child Care Development Fund Cluster:</u> | | | | | |
| Division of Social Services: | | | | | |
| Child Care Development Mandatory and Match Fund - | | | | | |
| Administration | 93.596 | XXXX | 126,458 | - | - |
| Total Subsidized Child Care (Note 5) | | | 126,458 | - | - |
| Passed-through the N.C. Department of Health and Human Services: | | | | | |
| Division of Health Benefits: | | | | | |
| Division of Social Services: | | | | | |
| Administration: | | | | | |
| Medical Assistance Program (Note 5) | 93.778 | XXXX | 448,889 | - | - |
| Total Medical Assistance Program | | | 448,889 | - | - |
| Division of Social Services: | | | | | |
| Administration: | | | | | |
| Children's Health Insurance Program - N.C. Health Choice (Note 5) | 93.767 | XXXX | 8,262 | 307 | - |
| Total Children's Health Insurance Program - N.C. Health Choice | | | 8,262 | 307 | - |
| Passed-through the N.C. Department of Health and Human Services: | | | | | |
| Division of Public Health: | | | | | |
| Public Health Emergency Preparedness | 93.069 | XXXX | 28,742 | - | - |
| Project Grants and Cooperative Agreements | | | | | |
| for Tuberculosis Control Programs | 93.116 | XXXX | 50 | - | - |
| Immunization Cooperative Agreements | 93.268 | XXXX | 100,019 | - | - |
| Family Planning Services | 93.217 | XXXX | 25,888 | - | - |
| Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 93.323 | XXXX | 118,288 | - | - |
| COVID-19 - Public Health Emergency Response: Cooperative | | | | | |
| Agreement for Emergency Response: Public Health Crisis Response | 93.354 | XXXX | 12,555 | - | - |
| Temporary Assistance for Needy Families | 93.558 | XXXX | 780 | - | - |
| Preventive Health and Health Services Block Grant | 93.991 | XXXX | 30,607 | - | - |
| Cancer Prevention and Control Programs for State, | | | | | |
| Territorial and Tribal Organizations | 93.898 | XXXX | 2,925 | - | - |
| Maternal and Child Health Services Block Grant | | | | | |
| Child Fatality Prevention | 93.994 | XXXX | 124 | - | - |
| Child Health | 93.994 | XXXX | 19,385 | - | - |
| HMC-FP - February Start | 93.994 | XXXX | 2,618 | 1,964 | - |
| Total Maternal and Child Health Services Block Grant | 93.994 | XXXX | 22,127 | 1,964 | - |
| Total U.S. Department of Health and Human Services | | | 1,703,061 | 19,803 | - |
| Total federal awards | | | 2,834,443 | 49,872 | 12,240 |
| 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 Commerce</u> | | | | | |
| Division of Rural Economic Development | | | | | |
| Revitalization and Economic Development | | 2019-014- | | | |
| Downtown Revitalization Project | | 1257-1534 | - | 20,599 | - |
| Total N.C. Department of Commerce | | | - | 20,599 | - |
| <u>N.C. Department of Agriculture and Consumer Services</u> | | | | | |
| Division of Soil and Water Conservation | | | | | |
| District Matching and Technical Assistance Agreement | | XXXX | - | 3,600 | - |
| Agriculture Cost Share Program | | XXXX | - | 21,380 | - |
| Total N.C. Department of Agriculture and Consumer Services | | | - | 24,980 | - |

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | State/ Pass-through Grantor's Number | Federal (Direct & Pass-through) Expenditures | State Expenditures | Provided to Subrecipients |
|--|---------------------------|---|---|-----------------------|---------------------------------|
| <u>N.C. Department of Environmental Quality</u> | | | | | |
| Division of Waste Management | | | | | |
| Scrap Tire Program | | XXXX | - | 11,715 | - |
| Total N.C. Department of Environmental Quality | | | - | 11,715 | - |
| <u>N.C. Department of Health and Human Services</u> | | | | | |
| Division of Aging and Adult Services | | | | | |
| Senior Center General Purpose | | XXXX | - | 11,942 | - |
| Total Division of Aging and Adult Services | | | - | 11,942 | - |
| Division of Social Services | | | | | |
| Direct Benefit Payments | | | | | |
| State Foster Home | | XXXX | - | 8,795 | - |
| State Child Welfare/CPS/CS LD | | XXXX | - | 14,242 | - |
| State Foster Home Fund (SFHF) Maximization | | XXXX | - | 22,091 | - |
| COVID Foster Care Stipend | | XXXX | - | 12,500 | - |
| COVID Adult/Child Protective Services | | XXXX | - | 16,437 | - |
| Extended Foster Care Maximization Non IV-E programs | | XXXX | - | 7,608 | - |
| Total Division of Social Service | | | - | 81,673 | - |
| Division of Public Health | | | | | |
| Food and Lodging Fees | | XXXX | - | 2,741 | - |
| Aid-to-Counties | | XXXX | - | 75,101 | - |
| General Communicable Disease Control | | XXXX | - | 11,336 | - |
| Child Health | | XXXX | - | 6,326 | - |
| HIV/STD - State | | XXXX | - | 500 | - |
| Healthy Communities | | XXXX | - | 3,747 | - |
| Breast and Cervical Cancer | | XXXX | - | 4,875 | - |
| School Nurse Funding Initiative | | XXXX | - | 50,000 | - |
| Family Planning - State | | XXXX | - | 4,171 | - |
| Maternal Health | | XXXX | - | 7,656 | - |
| Women Health Service Fund | | XXXX | - | 4,751 | - |
| Tuberculosis Control | | XXXX | - | 1,260 | - |
| Total Division of Public Health | | | - | 172,464 | - |
| Total N. C. Department of Health and Human Services | | | - | 266,079 | - |
| <u>N.C. Department of Insurance</u> | | | | | |
| SHIIP Grant | | XXXX | - | 6,524 | - |
| Total N.C. Department of Insurance | | | - | 6,524 | - |
| <u>N.C. Department of Public Instruction</u> | | | | | |
| Public School Building Capital Fund - Needs Based Lottery Proceeds | | XXXX | - | 625,435 | 625,435 |
| Total N.C. Department of Public Instruction | | | - | 625,435 | 625,435 |
| <u>N.C. Department of Public Safety</u> | | | | | |
| Division of Juvenile Justice and Delinquency Prevention | | | | | |
| Juvenile Crime Prevention Programs | | XXXX | - | 67,058 | 67,058 |
| Total N.C. Department of Public Safety | | | - | 67,058 | 67,058 |
| Total State awards | | | - | 1,024,390 | 692,493 |
| Total federal and State awards | | | \$ 2,834,443 | \$ 1,074,262 | \$ 704,733 |

Graham County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | State/ Pass-through Grantor's Number | Federal (Direct & Pass-through) Expenditures | State Expenditures | Provided to Subrecipients |
|---|---------------------------|---|---|-----------------------|---------------------------------|
|---|---------------------------|---|---|-----------------------|---------------------------------|

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, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Graham County, it is not intended to and does not present the financial position, changes in net position or cash flows of Graham County.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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

Note 4: Cluster of Programs

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

Note 5: Benefit Payments Issued by the State

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

| Program Title | CFDA No. | Federal | State |
|---|----------|------------|-----------|
| Special Supplemental Nutrition Program for Women Infant and Children | 10.557 | 145,847 | - |
| Supplemental Nutrition Assistance Program | 10.551 | 3,409,652 | - |
| Temporary Assistance for Needy Families | 93.558 | 22,138 | 300 |
| Adoption Assistance | 93.659 | 110,635 | 25,590 |
| Medical Assistance Program | 93.778 | 16,216,747 | 6,293,967 |
| Children's Health Insurance Program | 93.767 | 181,959 | 34,455 |
| Child Welfare Services Adoption | | - | 52,897 |
| State / County Special Assistance program (Domiciliary Care) | | - | 11,662 |
| Special Assistance Aged / Special Assistance Disabled (SAA/SAD HB 1030) | | - | 41,050 |

Note 6: Coronavirus Relief Funds

Graham County received funding from the Coronavirus Relief Fund (CFR) (21.019) of \$163,822 and \$387,338 in 2021 and 2020, respectively. At least twenty-five percent (25%) of the funds are mandated to go to the municipalities located within Graham County, at the discretion of the County. The municipalities opted to only utilize a portion of their allocations, \$12,240 and \$5,878 in 2021 and 2020, respectively. Municipalities are to have a plan to spend these funds by December 31, 2021, or any funds received are to be returned to the County. Counties and municipalities are liable to the State for funds not spent in accordance with US Department of Treasury, the granting agency, guidelines. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties. However, under state statute, municipalities are liable to the State, not the County, for any misused or misspent funds. Coronavirus Relief Funds must be spent during the period March 1, 2020 to December 31, 2021.