

**CITY OF GRAHAM
REGULAR AGENDA
TUESDAY, JANUARY 3, 2017
7:00 P.M.**

Meeting called to order by the Mayor
Invocation and Pledge of Allegiance

1. Consent Agenda:

- a. Approval of Minutes – December 6, 2016 Regular Session
- b. Appoint Debarah Wilson to Tree Board

2. Old Business:

- a. “Welcome to Graham” Sign
 - i. Approve Budget Amendment

3. Requests and Petitions of Citizens:

- a. Public Hearing: Petition for Voluntary Contiguous Annexation at Jimmie Kerr Road (AN1603)
 - i. Approve Annexation Ordinance

4. Audit Presentation

5. Issues not on Tonight’s Agenda

**CITY OF GRAHAM
REGULAR SESSION
TUESDAY, DECEMBER 6, 2016
7:00 P.M.**

The City Council of the City of Graham met in regular session at 7:00 p.m. on Tuesday, December 6, 2016, in the Council Chambers of the Municipal Building located at 201 South Main Street.

Council Members Present:

Mayor Jerry Peterman
Mayor Pro Tem Jimmy Linens
Council Member Griffin McClure
Council Member Chip Turner
Council Member Lee Kimrey

Also Present:

Frankie Maness, City Manager
Aaron Holland, Assistant City Manager
Darcy Sperry, City Clerk
Keith Whited, City Attorney

Mayor Jerry Peterman called the meeting to order and presided at 7:00 p.m. Mayor Pro Tem Jimmy Linens gave the invocation and everyone stood to recite the Pledge of Allegiance.

Honorary Presentation:

➤ ***Give a Child a Smile***

Ms. Tammy Harton and Ms. Kiya Gordon spoke of the program they co-founded, which raises awareness to stop child abuse. The organization's goal is to provide abused and neglected children with a stuffed animal that is purchased through donations made. They encouraged Council Members and those in attendance to consider making a donation. Mayor Peterman invited both to the January meeting, allowing Council Members to be prepared to make a personal donation if they so choose.

Consent Agenda:

- a. Approval of Minutes – November 1, 2016 Regular Session***
- b. Tax Releases and Refunds***

| CITY OF GRAHAM RELEASE ACCOUNTS | | | | |
|------------------------------------|-------------|------------------|---------------------------|----------------------------|
| DECEMBER COUNCIL MEETING | | | | |
| <u>ACCT #</u> | <u>YEAR</u> | <u>NAME</u> | <u>REASON FOR RELEASE</u> | <u>AMOUNT RELEASED</u> |
| 578264 | 2016 | ORDONEZ, DORIS A | SOLD MOBILE HOME | 4.55 |

| CITY OF GRAHAM REFUNDS | | | | |
|---------------------------|-------------|---------------------------|-----------------------------------|----------------------------|
| DECEMBER COUNCIL MEETING | | | | |
| <u>ACCT #</u> | <u>YEAR</u> | <u>NAME</u> | <u>REASON FOR REFUND</u> | <u>AMOUNT REFUNDED</u> |
| 3851 | 2016 | CHILDRESS, CONSTANCE R | QUALIFIED FOR HOMESTEAD EXEMPTION | 243.61 |
| 238420 | 2016 | STOKES, WILLIAM THOMAS IV | BOAT LISTED IN HORRY COUNTY | 45.41 |
| 238420 | 2016 | STOKES, WILLIAM THOMAS IV | BOAT MOTOR IN HORRY COUNTY | 10.37 |
| 238420 | 2015 | STOKES, WILLIAM THOMAS IV | BOAT LISTED IN HORRY COUNTY | 53.90 |
| 238420 | 2015 | STOKES, WILLIAM THOMAS IV | BOAT MOTOR IN HORRY COUNTY | 11.41 |

c. Approve Easement to Duke Energy at Graham Regional Park

Council Member Chip Turner made a motion to approve the Consent Agenda, seconded by Council Member Griffin McClure. All voted in favor of the motion.

Requests and Petitions of Citizens:

a. Petition for Contiguous Annexation at Jimmie Kerr Road (AN1603):

Assistant City Manager Aaron Holland explained that this is an application to annex property that belongs to Alamance Community College (ACC), located at 1247 Jimmie Kerr Road (29.74 acres) into the City of Graham. He further stated that ACC is growing and are starting to build on portions of their property which extend beyond our City limits. Mr. Holland added that this is the first step in the annexation process which would require approval of the following:

- i. Approve Resolution requesting City Clerk to Investigate the Sufficiency
- ii. Approve Resolution fixing date of Public Hearing on Question of Annexation

Following a brief discussion between Council Members and Staff, Ms. Cindy Collie, 2972 Maddie Florence Drive Graham and representing Alamance Community College, stepped forward to answer questions from council. With no questions forthcoming, Mayor Pro Tem Linens made a motion to approve the Resolution Directing the Clerk to Investigate a Petition Received Under G.S. 160A-31 for the property on Jimmie Kerr Road, seconded by Council Member Lee Kimrey. All voted in favor of the motion.

**RESOLUTION DIRECTING THE CLERK TO INVESTIGATE
A PETITION RECEIVED UNDER G.S. 160A-31
FOR PROPERTY ON JIMMIE KERR ROAD**

WHEREAS, a petition requesting annexation of an area described in said petition was received on November 21, 2016, by the Graham City Council; and

WHEREAS, G.S. 160A-31 provides that the sufficiency of the petition shall be investigated by the City Clerk before further annexation proceedings may take place; and

WHEREAS, the City Council of the City of Graham deems it advisable to proceed in response to this request for annexation.

NOW, THEREFORE BE IT RESOLVED, by the City Council of the City of Graham:

That the City Clerk is hereby directed to investigate the sufficiency of the above described petition and to certify as soon as possible to the City Council the result of her investigation.

Mayor Pro Tem Linens made a motion to approve the Resolution Fixing Date of Public Hearing on Question of Annexation Pursuant to G.S. 160A-31 for the property on Jimmie Kerr Road – the date being January 3, 2017, seconded by Council Member Chip Turner. All voted in favor of the motion.

**RESOLUTION FIXING DATE OF PUBLIC HEARING
ON QUESTION OF ANNEXATION PURSUANT TO G.S. 160A-31
FOR PROPERTY ON JIMMIE KERR ROAD**

WHEREAS, a petition requesting annexation of the contiguous area described herein has been received; and

WHEREAS, the City Council has by resolution directed the City Clerk to investigate the sufficiency of the petition; and

WHEREAS, certification by the City Clerk as to the sufficiency of the petition has been made;

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Graham, North Carolina that:

Section 1. A public hearing on the question of annexation of the area described herein will be held at the City Hall, 201 S. Main Street, Graham, NC at 7:00pm on January 3, 2017.

Section 2. The area proposed for annexation is described as follows:

Lying and being in the County of Alamance and being currently known as a portion PID 152801 and all of PID 152800 and being the same parcels as conveyed to Alamance Community college by Deed Book 549 Page 313, Deed Book 709 Page 712 and Deed Book 849 Page 125 and being more particularly described as follows to wit:

Commencing at NCGS Monument "HESS" bearing NC Grid coordinates of N:844,225.05 and E:1,895,704.03 and running thence S 36°02'03"W 2631.85' to a found ½" iron pipe with said iron pipe being the Point Of Beginning and being located in the southern line of the property of Alamance Community College recorded in Deed Book 512 Page 132 and the current line of the City of Graham as represented on the Alamance County GIS system, and bearing NC Grid Coordinates of N:842,096.86 and E:1,894,155.87, said iron also marking the western edge of a 60' Right of Way of Jimmie Kerr Road; thence leaving said Point of Beginning S68°46'57"E 30.05' to a point in the center of Jimmie Kerr Road (S.R.1928); thence along the center of Jimmie Kerr Road on a curve to the left having a chord bearing and distance of S06°08'32"W 298.00' and a radius of 739.71' to a point, said point also marking the northeast corner of the property of Alamance Community College recorded in Deed Book 709 Page 712 and Map Book 42 Page 188; thence continuing along the center of Jimmie Kerr Road on a curve to the left having a chord bearing and distance of S09°35'48"E 105.19' and a radius of 733.84' to a point; thence S13°42'01"E 97.82' to a point; thence leaving said center of road N76°01'21"W 33.62' to a found ½" pinch iron pipe located in the western edge of the 60' right of way of Jimmie Kerr Road, thence continuing along the western right of way edge of said road S13°47'02"E 76.16' to a point, thence along a curve to the right having a chord bearing and distance of S04°43'03"W 203.22' and a radius of 649.14' to a point, thence along a curve to the right having a chord bearing and distance of S12°11'05"W 193.67' and a radius of 705.41' to a found ½" iron pipe marking the southeast corner of the property of Alamance Community College recorded in Deed Book 849 Page 125 and Map Book 49 Page 15 and bearing NC Grid coordinates of N:841,133.31 and E:1,894,154.06; thence leaving the western edge of said right of way and running along a common line with the property of David K. Naylor 2014 Trust described in Deed Book 3369 Page 927 N78°45'04"W the following 5 distances, 252.47' to a found ½" iron pipe, thence 159.55' to a found ½" pinch iron pipe, thence 285.24' to a found ½" pinch iron pipe, thence 749.69' to a found ½" pinch iron pipe bearing NC Grid coordinates of N:841,415.54 and E:1,892,734.99 and continuing 30.00' to a point located at the top of bank of the

Haw River, the south west corner of the property described in Deed Book 849 Page 125 and Map Book 49 page 15, thence with the top of bank of the Haw River the following 7 calls; N25°32'35"E 123.27' to a point, thence N27°42'05"E 349.16' to a point, thence N24°46'11"E 64.97' to a point, thence N24°55'54"E 186.30' to a point, thence N24°55'49"E 49.96' to a point, thence N25°15'09"E 343.05' to a point, thence N18°18'54"E 42.01 to a point being the north west corner of the property described in Deed Book 549 Page 313, thence leaving the bank of the Haw River and running with the northern line of Deed Book 549 Page 313 and the current line of the Corporate Limits of the City of Graham as currently represented in the Alamance County GIS system S68°46'57"E the following 3 distances; 29.82' to a found ½" iron pipe bearing NC Grid coordinates of N:842,454.31 and E:1,893,235.18, thence 785.46' to a found ¾" pinch top pipe, thence 202.23' to a found ½" iron pipe and being the Point and Place of Beginning and containing 29.74 Acres+/- as shown on a plat prepared by John P. Scoville III, PLS L-3343 of ESP Associates, P.A., dated September 2nd, 2016 and bearing ESP Project Number ET07.800.

Section 3. Notice of the public hearing shall be published once in The Alamance News, a newspaper having general circulation in the City of Graham, at least ten (10) days prior to the date of the public hearing.

"Welcome to Graham" Sign Discussion:

Mr. Holland explained that at the conclusion of last month's City Council meeting, this item was asked to be brought back before Council for discussion. He reminded that this item was initially brought before Council in April 2016 and following discussion of the exemption staff intended to use from the Development Ordinance, Council directed staff to postpone moving forward with the construction of the sign until review of the current sign ordinance had been completed. Mr. Holland advised after discussing this matter with consultants, it would cost the City approximately \$25,000 to update our sign Ordinance and the City was advised not to do that at this time due to pending litigation at the Supreme Court level.

Council Member and Staff held a lengthy discussion about the size, placement and look of the proposed sign while also discussing the possible placement of future signs throughout the City. By consensus, Council asked Staff to proceed with this proposed sign to be located at the corner of Highway 54 and Cooper Road and bring back their proposal and budget amendment at next month's Council meeting.

Issues Not on Tonight's Agenda:

City Clerk Darcy Sperry reminded Council of the City's Annual Christmas Luncheon to be held on December 14, 2016 and the ACC Business Leader's breakfast to be held on December 7, 2016.

Council Member Kimrey inquired as to the current membership guidelines of the Planning Board. City Manager Frankie Maness advised that recently Staff realized that the wording in our Development Ordinance does not specifically state that representation for members representing those in the City of Graham must live within the City limits. Council Members asked Staff to start the proceedings which will amend that section of the Development Ordinance, thereby requiring members representing the City to live within the City's limits.

Council Member Kimrey thanked everyone for the outpouring of support he and his family received during the recent passing of his father, Baker Kimrey.

Council Member McClure advised that there is still time to purchase raffle tickets from the Graham Area Business Association, which will help defray the cost for new Christmas lights.

Mayor Peterman asked Staff to pass along Council's congratulations to the employees responsible for the award recently presented to the City by the Alamance County Beautification Committee.

At 7:52 p.m. Council Member Kimrey made a motion to adjourn, seconded by Council Member Turner. All voted in favor of the motion.

Darcy Sperry, City Clerk

RECEIVED

SEP 21 2016

CITY OF
GRAHAM



**Volunteer Application
City of Graham Boards and Commissions**

If you are a City of Graham resident or reside in the extra-territorial jurisdiction (ETJ), at least 18 years, and are willing to volunteer your time and expertise to your community, please complete and return to:

By mail: City of Graham, Attn: City Clerk, PO Drawer 357, Graham, NC 27253

By email: dsperry@cityofgraham.com

By Fax: (336)570-6703

For questions, call: (336)570-6700

Please check all Boards and Commissions on which you would be willing to serve:

Extra-territorial residents can only serve on the Board of Adjustment or the Planning Board

- | | |
|--|--|
| <input type="checkbox"/> Alamance County Library Committee (2 years) | <input type="checkbox"/> Graham Housing Authority (5 years) |
| <input type="checkbox"/> Alcohol Beverage Control (3 years) | <input type="checkbox"/> Graham Sports Hall of Fame (6 years) |
| <input type="checkbox"/> Appearance Commission (4 years) | <input type="checkbox"/> Historic Resources Commission (4 years) |
| <input type="checkbox"/> Board of Adjustment (3 years) | <input type="checkbox"/> Planning Board (3 years) |
| <input type="checkbox"/> Canine Review Board (3 years) | <input type="checkbox"/> Recreation Commission (3 years) |
| <input type="checkbox"/> Graham Historical Museum (3 years) | <input checked="" type="checkbox"/> Tree Board (3 years) |

If you are currently serving on a Board in the City of Graham, please list:

Personal Information

Name: DEBARAH H Wilson

Mailing Address: 110 Home Ave Graham, NC 27253

Home Address (if different) _____

Home Phone: 336-263-5360 Work Phone: _____

Employer: DHW Consulting Position: Finance Consultant

Email Address: deborah-wilson@bellsouth.net

Civic Involvement (please list the names of civic organizations in which you hold current membership):

PAST Chair of Appearance Commission - none for city currently

Please list any work, volunteer, and/or educational experience that you would like us to consider

MASTER Gardener in Greensboro, Volunteer for Herb Festival for Women's Resource Center, HORTICULTURE MAJOR, Foothill College - CALIFORNIA, HORT CLASSES
Why do you wish to serve the City in this capacity? AT ACC, GM for LANDSCAPE COMPANY in CALIFORNIA

Tree BOARD Gearing Up with many interesting projects and need hort educated MEMBERS - ALSO interested in Greenways



STAFF REPORT

| | |
|--------------|---------------------------------------|
| SUBJECT: | "WELCOME TO GRAHAM" SIGN |
| PREPARED BY: | AARON HOLLAND, ASSISTANT CITY MANAGER |

REQUESTED ACTION:

Approve 2016-2017 Budget Ordinance Amendment.

BACKGROUND/SUMMARY:

At the April 5th, 2016 City Council meeting, City staff presented information to the City Council in hopes to receive feedback for a proposed "Welcome to Graham" sign. City staff inherited the task of planning and constructing the sign from the City of Graham Appearance Commission after several years of attempts to construct the sign. Following discussion of the exemption staff intended to use from the Development Ordinance, Council directed staff to postpone moving forward with the construction of the sign until review of the current ordinance had been completed. Staff inquired with consultants about revisiting the sign ordinance and it was recommended to refrain from amending a sign ordinance until legal uncertainties are resolved.

At the conclusion of the November 1st, 2016 meeting, Council asked staff to present the information on the sign again at the next scheduled Council meeting. After much discussion at the December 6th, 2016 meeting and by consensus, Council directed staff to proceed with the proposed sign to be located at the corner of Highway 54 and Cooper Road and bring back the proposal and budget amendment at next month's Council meeting.

For your review, two options have been attached for illustrative purposes. Option A is the rendering that has been presented at the past meetings. Option B is a rendering that is a water feature and incorporates the use of an architectural feature which is highly encouraged by the Development Ordinance along the HWY-54 Overlay.

FISCAL IMPACT:

No funds were appropriated for the proposed sign in the current FY 2016-17 budget. A budget amendment is required to increase total General Fund expenditures by \$20,000 for FY 2016-2017.

STAFF RECOMMENDATION:

Approval

SUGGESTED MOTION(S):

I move we approve the 2016-2017 Budget Ordinance Amendment to provide \$20,000 in funding for the proposed "Welcome to Graham" sign.

OPTION A:



OPTION B:



BE IT ORDAINED BY THE CITY COUNCIL of the City of Graham that the 2016 - 2017 Budget Ordinance shall be and is hereby amended as follows:

| | | | |
|---|----------|---------|------------|
| Section 1: General Fund Expenditures | | | |
| | APPROVED | AMENDED | DIFFERENCE |
| 10-6600-7300 Capital Outlay Improvements | 0 | 20,000 | 20,000 |
| | | | |
| Section 2: General Fund Revenues | | | |
| 10-3900-0000 Fund Balance | 907,000 | 927,000 | 20,000 |
| | | | |

This the 3rd day of January, 2017.

Jerry Peterman -
Mayor

ATTEST:

Darcy Sperry, City Clerk



Petition for ANNEXATION

P.O. Drawer 357
201 South Main Street
Graham, NC 27253
(336) 570-6705
Fax (336) 570-6703
www.cityofgraham.com

To the City Council of the City of Graham, NC:

1. We, the undersigned owners of real property, respectfully request that the area described in paragraph 2 below be annexed into the City of Graham.

☐ If applicable as "income-based": We believe that this petition meets the requirements of G.S. 160A-31(b1).

☐ If applicable as "distressed": We believe that this petition meets the requirements of G.S. 160A-31(j).

2. The area to be annexed is ☒ contiguous ☐ non-contiguous to the City of Graham and the boundaries of such territory are as follows:

General description of area to be annexed

See attached 29.74 acres

Attach the following:

☒ Annexation Plat – 1 paper copy, 2 mylars and 1 pdf. In addition to standard plat information, also include tax map numbers of all parcels and total square miles and acreage of area to be annexed.

☒ Metes and Bounds Description – 1 paper and 1 digital copy

3. We acknowledge that any zoning vested rights acquired pursuant to G.S. 160A-385.1 or G.S. 153A-344.1 must be declared and identified on this petition. We further acknowledge that failure to declare such rights on this petition shall result in a termination of vested rights previously acquired for the property. (If zoning vested rights are claimed, indicate yes below and attach proof.)

| Name | Address | Vested rights? | Signature |
|----------------------------|---------------------------------------|----------------|--|
| Alamance Community College | 1247 Jimmie Kerr Rd. Graham, NC 27253 | | Cindy Day Collier 11/21/16 VP/CFO Administrative & Fiscal Services |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

attach additional sheets if necessary...



STAFF REPORT

| | |
|--------------|---|
| SUBJECT: | ANNEXATION ON JIMMIE KERR ROAD (AN1603) |
| PREPARED BY: | NATHAN PAGE, PLANNING DIRECTOR |

REQUESTED ACTION:

Approve the Annexation Ordinance to Extend the Corporate Limits of the City of Graham, North Carolina for property located on Jimmie Kerr Road.

BACKGROUND/SUMMARY:

The attached petition seeks the Council's approval for an extension of the corporate limits to include the subject property. The area being considered for annexation is the parcel located on Jimmie Kerr Road (29.74 acres).

The annexation process has multiple steps. Following a public hearing, approval of an Annexation Ordinance is the final step for Council in the annexation process.

FISCAL IMPACT:

Alamance Community College will cover the expense of extending the water and sewer lines to serve this location. The city will likely receive little revenue pursuant to this annexation, as this property will be owned by a tax exempt entity and will be used for tax exempt purposes. However, the benefit of having continuity of service across the campus is such that the additional demands may be offset by the increase in public safety.

STAFF RECOMMENDATION:

Approval. Annexation of the subject property will afford the property access to City services.

SUGGESTED MOTION(S):

1. I move we approve the Annexation Ordinance to Extend the Corporate limits of the City of Graham, North Carolina, for the property on Jimmie Kerr Road.



ANNEXATION ORDINANCE
TO EXTEND THE CORPORATE LIMITS
OF THE
CITY OF GRAHAM, NORTH CAROLINA
FOR PROPERTY ON JIMMIE KERR ROAD

WHEREAS, the Graham City Council has been petitioned under G.S. 160A-31 to annex the area described below;
and

WHEREAS, the Graham City Council has by resolution directed the City Clerk to investigate the sufficiency of the
petition; and

WHEREAS, the City Clerk has certified the sufficiency of the petition and a public hearing on the question of this
annexation was held at City Hall, 201 South Main Street, Graham at 7:00 P.M. on January 3, 2017, after due notice by
publication on December 22, 2016; and

WHEREAS, the Graham City Council finds that the petition meets the requirements of G.S. 160A-31;

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Graham, North Carolina that:

Section 1. By virtue of the authority granted by G.S. 160A-31, the following described territory is hereby
annexed and made part of the City of Graham as of January 3, 2017:

Lying and being in the County of Alamance and being currently known as a portion PID 152801 and all
of PID 152800 and being the same parcels as conveyed to Alamance Community college by Deed Book
549 Page 313, Deed Book 709 Page 712 and Deed Book 849 Page 125 and being more particularly
described as follows to wit:

Commencing at NCGS Monument "HESS" bearing NC Grid coordinates of N:844,225.05 and
E:1,895,704.03 and running thence S 36°02'03"W 2631.85' to a found ½" iron pipe with said iron pipe
being the Point Of Beginning and being located in the southern line of the property of Alamance
Community College recorded in Deed Book 512 Page 132 and the current line of the City of Graham as
represented on the Alamance County GIS system, and bearing NC Grid Coordinates of N:842,096.86
and E:1,894,155.87, said iron also marking the western edge of a 60' Right of Way of Jimmie Kerr Road;
thence leaving said Point of Beginning S68°46'57"E 30.05' to a point in the center of Jimmie Kerr Road
(S.R.1928); thence along the center of Jimmie Kerr Road on a curve to the left having a chord bearing
and distance of S06°08'32"W 298.00' and a radius of 739.71' to a point, said point also marking the
northeast corner of the property of Alamance Community College recorded in Deed Book 709 Page 712
and Map Book 42 Page 188; thence continuing along the center of Jimmie Kerr Road on a curve to the
left having a chord bearing and distance of S09°35'48"E 105.19' and a radius of 733.84' to a point;
thence S13°42'01"E 97.82' to a point; thence leaving said center of road N76°01'21"W 33.62' to a
found ½" pinch iron pipe located in the western edge of the 60' right of way of Jimmie Kerr Road,
thence continuing along the western right of way edge of said road S13°47'02"E 76.16' to a point,
thence along a curve to the right having a chord bearing and distance of S04°43'03"W 203.22' and a
radius of 649.14' to a point, thence along a curve to the right having a chord bearing and distance of
S12°11'05"W 193.67' and a radius of 705.41' to a found ½" iron pipe marking the southeast corner of
the property of Alamance Community College recorded in Deed Book 849 Page 125 and Map Book 49

Page 15 and bearing NC Grid coordinates of N:841,133.31 and E:1,894,154.06; thence leaving the western edge of said right of way and running along a common line with the property of David K. Naylor 2014 Trust described in Deed Book 3369 Page 927 N78°45'04"W the following 5 distances, 252.47' to a found ½" iron pipe, thence 159.55' to a found ½" pinch iron pipe, thence 285.24' to a found ½" pinch iron pipe, thence 749.69' to a found ½" pinch iron pipe bearing NC Grid coordinates of N:841,415.54 and E:1,892,734.99 and continuing 30.00' to a point located at the top of bank of the Haw River, the south west corner of the property described in Deed Book 849 Page 125 and Map Book 49 page 15, thence with the top of bank of the Haw River the following 7 calls; N25°32'35"E 123.27' to a point, thence N27°42'05"E 349.16' to a point, thence N24°46'11"E 64.97' to a point, thence N24°55'54"E 186.30' to a point, thence N24°55'49"E 49.96' to a point, thence N25°15'09"E 343.05' to a point, thence N18°18'54"E 42.01 to a point being the north west corner of the property described in Deed Book 549 Page 313, thence leaving the bank of the Haw River and running with the northern line of Deed Book 549 Page 313 and the current line of the Corporate Limits of the City of Graham as currently represented in the Alamance County GIS system S68°46'57"E the following 3 distances; 29.82' to a found ½" iron pipe bearing NC Grid coordinates of N:842,454.31 and E:1,893,235.18, thence 785.46' to a found ¾" pinch top pipe, thence 202.23' to a found ½" iron pipe and being the Point and Place of Beginning and containing 29.74 Acres+/- as shown on a plat prepared by John P. Scoville III, PLS L-3343 of ESP Associates, P.A., dated September 2nd, 2016 and bearing ESP Project Number ET07.800.

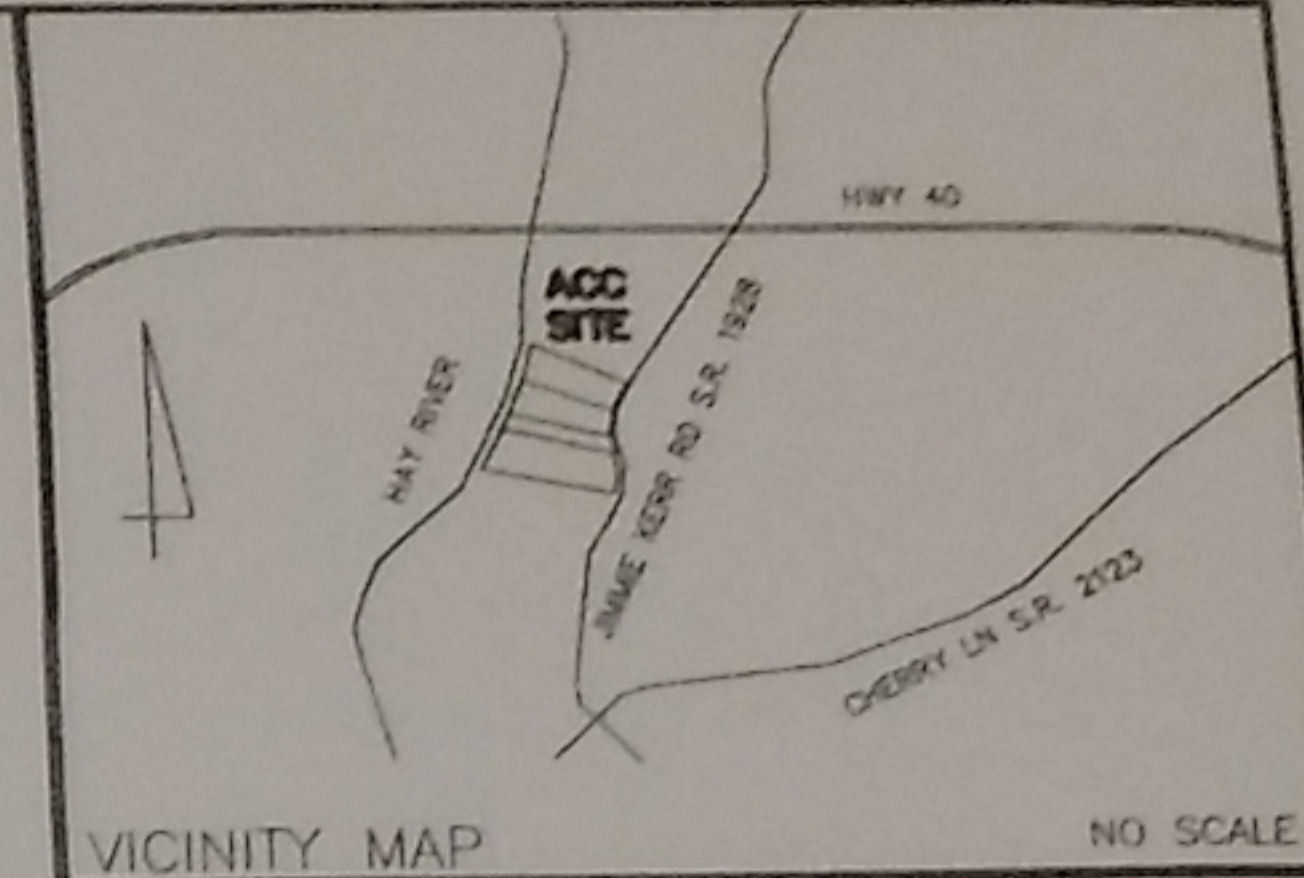
Gerald R. Peterman, Mayor

ATTEST:

Darcy L. Sperry, City Clerk



ESP ASSOCIATES, P.A.
7011 ALBERT PICK RD. SUITE E
GREENSBORO, NC 27409
336-334-7724
FIRM # C-0587
ESPASSOCIATES.COM



LEGEND

D.B. = DEED BOOK
PG = PAGE
MB = MAP BOOK
[NTS] = NOT TO SCALE
NAD = NORTH AMERICAN DATUM
CGF = COMBINED GRID FACTOR
(T) = TOTAL
FND = FOUND
○ = FOUND CORNER AS NOTED
⊕ = RIGHT OF WAY MONUMENT
○ = CALCULATED POINT
NCDOT ROW

FLOOD ZONE(S)

AEFW = REGULATORY FLOODWAY
X = 0.2% ANNUAL FLOOD CHANCE
AE = 1% ANNUAL FLOOD CHANCE
BFE = BASE FLOOD ELEVATION
X OTHERS = AREAS OUTSIDE THE 0.2% FLOOD CHANCE

TABLE OF AREAS

| PID | AREA | AC ± |
|--------------|----------------------------|-------------------|
| 152801 | (OUTSIDE CORPORATE LIMITS) | 14.18 AC ± |
| 152800 | | 15.56 AC ± |
| TOTAL | | 29.74 AC ± |

NOTES:

- SURVEYED & MAPPED FOR: ALAMANCE COMMUNITY COLLEGE
- SURVEYED & MAPPED BY ESP ASSOCIATES, P.A.
- ALL DISTANCES ARE HORIZONTAL GROUND DISTANCES UNLESS OTHERWISE NOTED.
- AREA BY COORDINATE COMPUTATION.
- PROPERTY IS SUBJECT TO ANY VALID & ENFORCEABLE EASEMENTS, RESTRICTIONS & RIGHT OF WAY OF RECORD.
- SURVEY IS BASED ON PHYSICAL EVIDENCE, AND EXISTING MONUMENTS FOUND DURING THE SURVEY AND RECORD AS NOTED.
- PROPERTY CORNER PIPE SIZES AS SHOWN ARE NOMINAL INSIDE DIAMETER.
- END OF FIELD SURVEY AUGUST 24, 2015.
- THE LOCALIZED COORDINATE SYSTEM DEVELOPED FOR THIS PROJECT IS ESTABLISHED BY VRS-RTK GPS METHODS UTILIZING TRIMBLE R10 UNIT AND CONVENTIONAL TRAVERSE FROM NCOS MONUMENT "HESS" BEARING NC STATE PLANE COORDINATES N: 844,225.05 E: 1,895,704.03; ELEVATION 573.69' (PUBLISHED NAVD 88) AND A CGF: 0.99995152 (GROUND TO GRID).
- ALL LINEAR DIMENSIONS ARE LOCALIZED HORIZONTAL(GROUND) DISTANCES VERTICAL DATUM IS NAVD 88. COORDINATES AS SHOWN ARE NC GRID NAD 83(2011).
- FLOOD HAZARD LINE SHOWN PER FEMA MAP 3710889400J PANEL 8894 EFFECTIVE DATE: 09/06/06.
- THE PURPOSE OF THIS PLAT IS TO COMBINE ALL TRACTS FOR A.C.C. WITH TAX PARCEL 152801 AND FOR THE CITY OF GRAHAM TO UTILIZE AS AN ANNEXATION PLAT.
- THE PORTION OF TAX PARCEL 152801 CURRENTLY RESIDING INSIDE THE CORPORATE LIMITS OF THE CITY OF GRAHAM, IDENTIFIED AS "CITY OF GRAHAM", HAS NOT BEEN SURVEYED BY ESP ASSOCIATES, P.A. AS OF THE DATE OF THIS PLAT.

REVIEW OFFICER CERTIFICATION

I, Nathan Page, Review Officer of Alamance county, certify that the map or plat to which this certification is affixed meets all statutory requirements for recording.
Nathan Page 12/29/2016
REVIEW OFFICER DATE

50 0 25 50 100

ALAMANCE COMMUNITY COLLEGE, ADVANCE APPLIED TECHNOLOGY CENTER

OWNER: ALAMANCE COMMUNITY COLLEGE

CITY OF GRAHAM
**ANNEXATION PLAT &
A.C.C. RECOMBINATION PLAT**

ALAMANCE COMMUNITY COLLEGE

1247 JIMMIE KERR ROAD
GRAHAM, NORTH CAROLINA 27253

PROJECT NO.
ET07.800
SCALE
1"=100'
DATE
12/27/2016
DRAWN BY
DH
CHECKED BY
JPS
DATE OF SURVEY
08/10/2016
FIELD CREW
CB, MED
DRAWING NO.
ET07.800

1 of 1 SHEET

City of Graham

In Corporate Limits
Out of Corporate Limits

PID: 152801 EXIST
ALAMANCE COMMUNITY COLLEGE
D.B. 549 PG 313
8.85 AC ± PROP
0.21 AC ± R/W
TOTAL 9.06 AC ±

PID: 152801 EXIST
ALAMANCE COMMUNITY COLLEGE
D.B. 709 PG 712
M.B. 42 PG 188
4.98 AC ± PROP
0.14 AC ± R/W
TOTAL 5.12 AC ±

PID: 152800
ALAMANCE COMMUNITY COLLEGE
D.B. 849 PG 125
M.B. 49 PG 15

PID: 152796
DAVID K NAYLOR 2014 TRUST
D.B. 3369, PG 927

CERTIFICATE OF GPS SURVEY

I, JOHN P. SCOVILLE, III, CERTIFY THAT THIS MAP WAS UNDER MY SUPERVISION IN PART FROM THE ACTUAL GPS SURVEY MADE UNDER MY SUPERVISION AND THE FOLLOWING INFORMATION WAS USED TO PERFORM THE SURVEY:

- CLASS OF SURVEY: "A"
- POSITIONAL ACCURACY: 0.07'
- TYPE OF GPS FIELD PROCEDURE: RTK/VRS NETWORK
- DATES OF SURVEY: AUGUST 21ST, 2015
- DATUM/EPOCH: NAD83(2011)
- PUBLISHED/FIXED CONTROL USED: RTK/VRS NETWORK
- GEOID MODEL: 2012A
- COMBINED GRID FACTOR: 0.99995152
- UNITS: US SURVEY FEET

CERTIFICATE OF ACCURACY

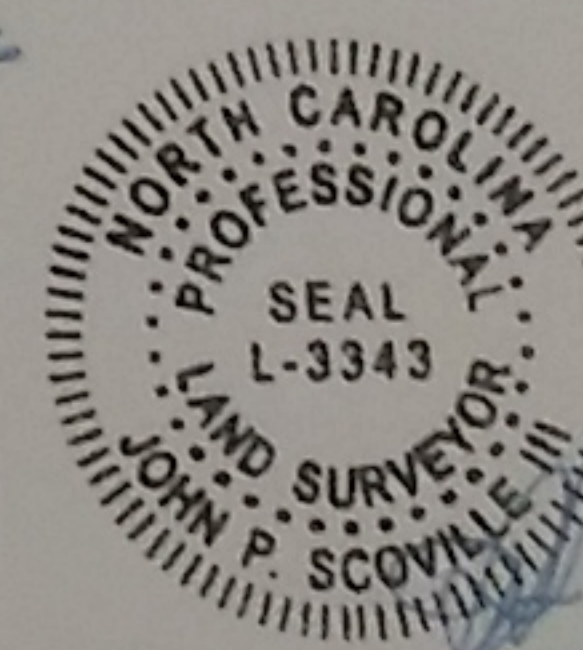
I, JOHN P. SCOVILLE, III, CERTIFY THAT THIS PLAT WAS DRAWN UNDER MY SUPERVISION FROM AN ACTUAL SURVEY MADE UNDER MY SUPERVISION (DEED DESCRIPTION RECORDED IN DEED BOOK 849, PAGE 125, MAP BOOK 49, PAGE 15, DEED BOOK 709, PAGE 712, MAP BOOK 42 PAGE 188, DEED BOOK 549 PAGE 313, DEED BOOK 512, PAGE 132, MAP BOOK 42 PAGE 127); THAT THE BOUNDARIES NOT SURVEYED ARE CLEARLY INDICATED AS DRAWN FROM INFORMATION FOUND IN BOOK(S) AND PAGE(S) SHOWN; THAT THE RATIO OF PRECISION AS CALCULATED IS 1:10,000+; THAT THIS PLAT WAS PREPARED IN ACCORDANCE WITH G.S. 47-30 AS AMENDED. WITNESS MY ORIGINAL SIGNATURE, REGISTRATION NUMBER AND SEAL THIS 27TH DAY OF DECEMBER, 2016 A.D.

JOHN P. SCOVILLE, III, PLS L-3343

CERTIFICATE OF GS47-30(1)(1)(c)(1)

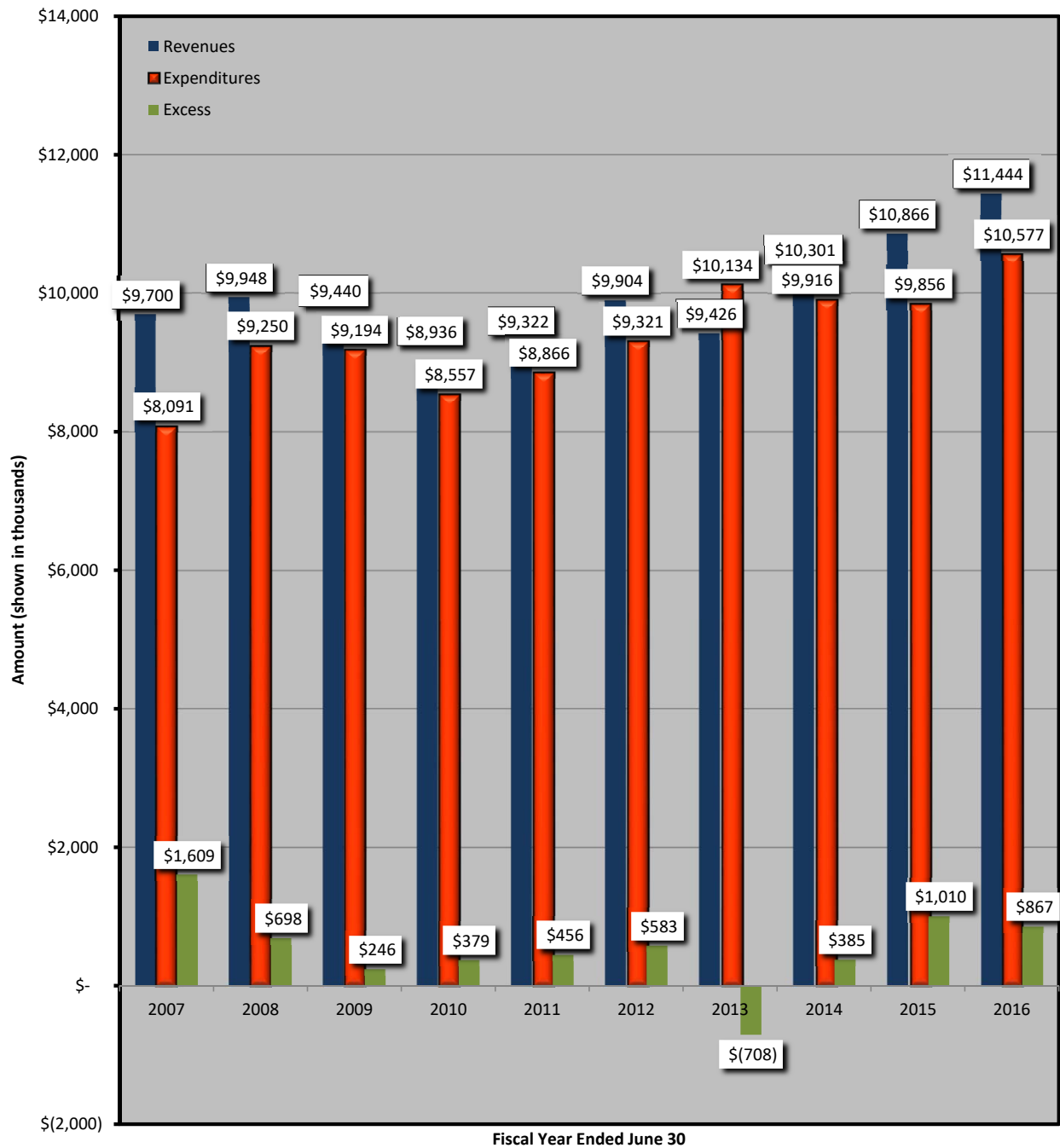
I, JOHN P. SCOVILLE, III, CERTIFY TO ONE OR MORE OF THE FOLLOWING AS INDICATED
X D. That the survey is of another category, such as the recombination of existing parcels, a court-ordered survey, or other exception to the definition of subdivision.

JOHN P. SCOVILLE, III, PLS L-3343

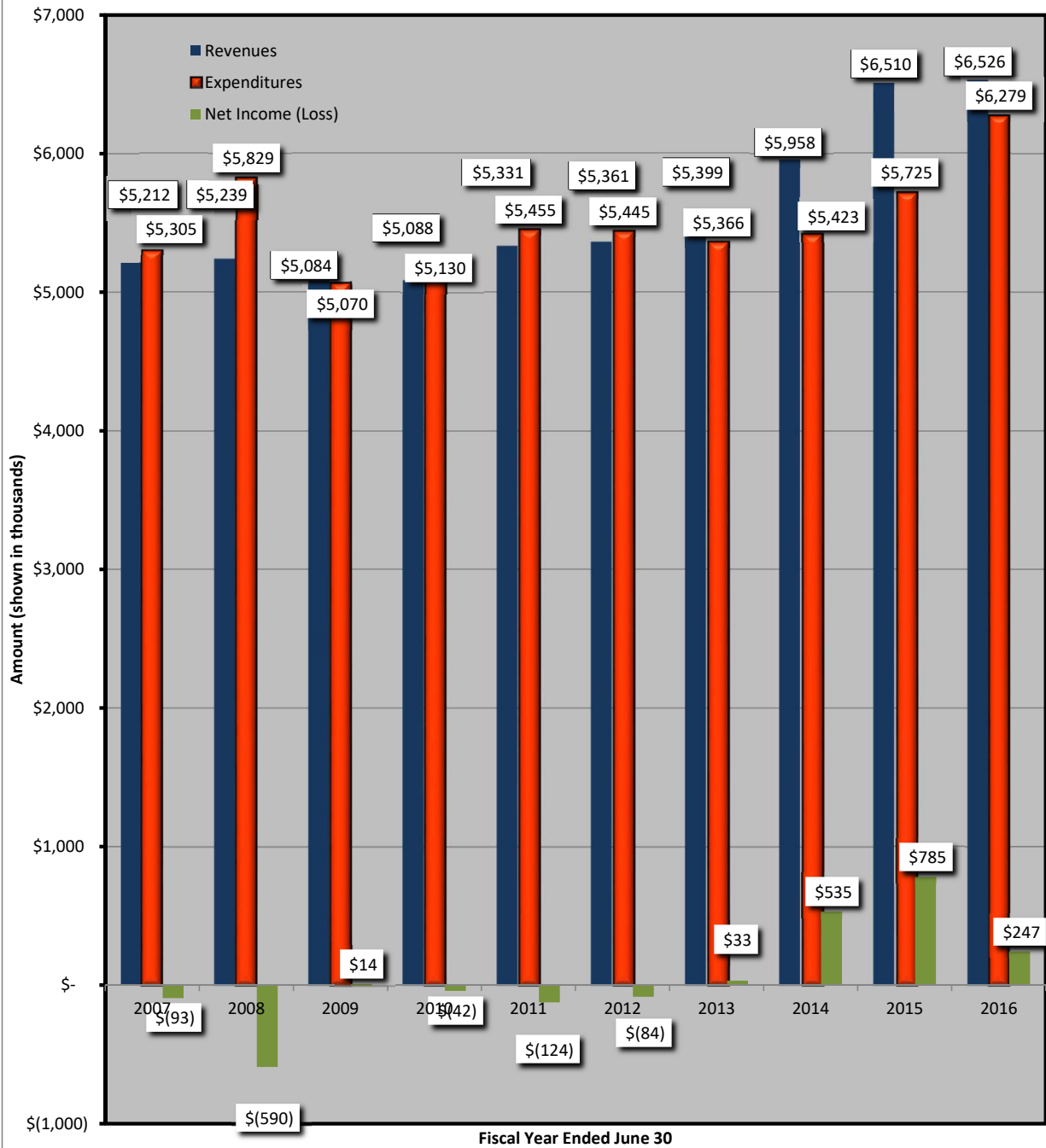


CITY OF GRAHAM
PRESENTATION TO THE CITY COUNCIL
January 3, 2017

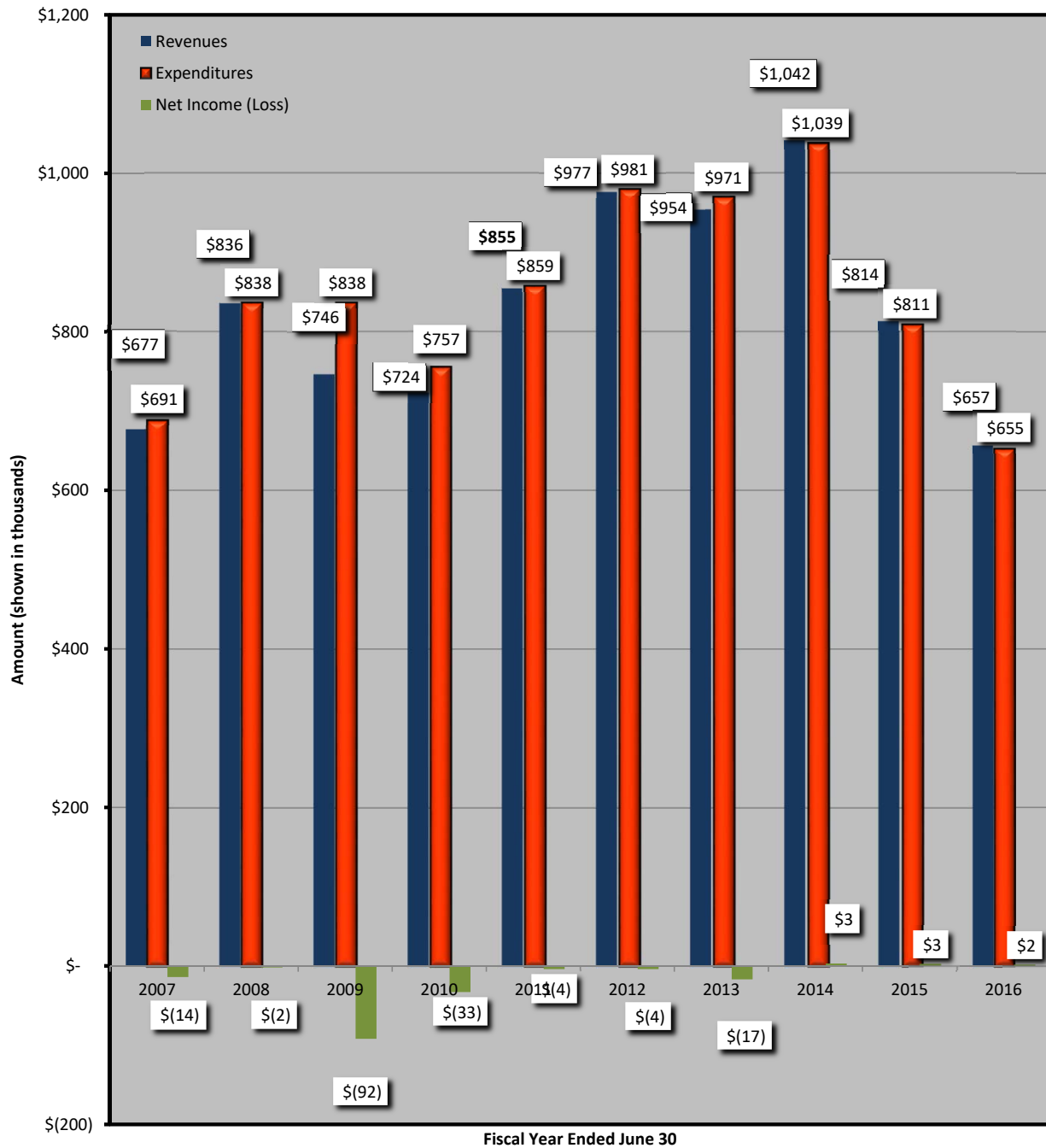
CITY OF GRAHAM GENERAL FUND REVENUES, EXPENDITURES AND EXCESS



CITY OF GRAHAM
WATER AND SEWER FUND - BUDGETARY BASIS
REVENUES, EXPENDITURES AND NET INCOME (LOSS)



CITY OF GRAHAM
GARAGE FUND - BUDGETRAY BASIS
REVENUES, EXPENDITURES AND NET INCOME (LOSS)



CITY OF GRAHAM
JUNE 30, 2016

| | 2016 | 2015 | 2014 | Increase/ Decrease | Percentage (%) |
|---|--------|--------|--------|-----------------------|-------------------|
| General Fund | | | | | |
| Cash and Investments | 7,118 | 8,441 | 7,220 | (1,323) | -16% |
| Accounts Receivable | 2,401 | 1,508 | 1,680 | 893 | 59% |
| Accounts Payable | 665 | 549 | 237 | 116 | 21% |
| Deferred Inflows (Revenues) | 242 | 250 | 324 | (8) | -3% |
| Unearned Revenue | 16 | 28 | 221 | (12) | -43% |
| Fund Balance | 8,595 | 9,127 | 8,117 | (532) | -6% |
| Operating Expenses Per Day (Actual) | 28,979 | 27,002 | 27,168 | 1,977 | 7% |
| Number of Days Available in Cash and Investments Less Current Liabilities | 223 | 292 | 257 | (70) | -24% |
| Water and Sewer | | | | | |
| Cash and Investments | 7,243 | 7,126 | 6,080 | 117 | 2% |
| Restricted Assets | 927 | 965 | 4,705 | (38) | -4% |
| Accounts Receivable | 1,997 | 2,774 | 918 | (777) | -28% |
| Fixed Assets | 45,756 | 44,587 | 44,960 | 1,169 | 3% |
| Liabilities | 8,211 | 9,678 | 9,980 | (1,467) | -15% |
| Net Position | 47,749 | 45,666 | 46,680 | 2,083 | 5% |
| Operating Expenses Per Day (Actual) | 13,972 | 13,726 | 13,623 | 246 | 2% |
| Number of Days Available in Cash and Investments Less Current Liabilities | 398 | 343 | 340 | 55 | 16% |
| Garage Fund | | | | | |
| Cash and Investments | 185 | 181 | 147 | 4 | 2% |
| Fixed Assets | 75 | 63 | 70 | 12 | 19% |
| Liabilities | 36 | 37 | 18 | (1) | -3% |
| Net Position | 271 | 257 | 269 | 14 | 7% |
| Operating Expenses Per Day (Actual) | 1,761 | 2,216 | 2,877 | (455) | -21% |
| Number of Days Available in Cash and Investments Current Liabilities | 98 | 71 | 50 | 27 | 39% |
| Graham Memorial Park | | | | | |
| Cash and Investments | 2,353 | 2,375 | 2,331 | (22) | -1% |
| Accounts Receivable | 16 | 13 | 15 | 3 | 23% |
| Fund Balance | 2,369 | 2,387 | 2,346 | (18) | -1% |
| City-Wide Net Assets - Full Accrual Basis | | | | | |
| Cash and Investments | 17,624 | 18,090 | 15,783 | (466) | -3% |
| Restricted Cash | 965 | 1,003 | 4,705 | (38) | -4% |
| Other Assets and Deferred Outflows | 8,734 | 7,890 | 2,741 | 844 | 11% |
| Capital Assets | 60,846 | 56,919 | 60,198 | 3,927 | 7% |
| Less - Total Liabilities and Deferred Inflows | 14,783 | 14,277 | 12,556 | 506 | 4% |
| Net Position | 73,386 | 69,626 | 70,871 | 3,760 | 5% |



**STOUT
STUART
McGOWEN
& KING LLP**

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Accountants*

*Advisors to
Management*

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October 31, 2016

To the Honorable Mayor
And Members of the City Council
City of Graham

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the City of Graham for the year ended June 30, 2016, and have issued our report thereon dated October 31, 2016. Professional standards require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Graham are described in Note I to the financial statements. The City of Graham has not adopted any new pronouncements during this fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive accounting estimate affecting the financial statements is the estimate of the allowance for doubtful accounts which is based on historical revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis and Other Postemployment Benefits' Schedule of Funding Progress and Schedule of Employer Contributions, the Local Government Employees' Retirement System's Schedule of the Proportionate Share of the Net Pension Asset and Contributions, and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This information is intended solely for the use of members of the City Council and management of the City of Graham and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

STOUT STUART MCGOWEN & KING LLP

**City of Graham, North Carolina
Audited Financial Statements
Year Ended June 30, 2016**

City of Graham, North Carolina

Year Ended June 30, 2016

City Council Members

Jerry Peterman – Mayor

Jimmy Linens - Mayor Pro Tem

Griffin McClure

Lee Kimrey

Chip Turner

Administrative and Financial Staff

Frankie Maness – City Manager

Sandra King – Finance Officer

Sandy Callahan – Tax Collector

City of Graham, North Carolina
June 30, 2016
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& KING LLP**

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INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and
Members of the City Council
City of Graham
Graham, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Graham, North Carolina as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City'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.

Auditor's 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 of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Graham, North Carolina as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Other Postemployment Benefits' Schedules of Funding Progress, Schedules of Employer Contributions, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 51 through 53, respectively, and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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 general accepted in the United State 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 the City of Graham, 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 relates 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. In our opinion based on our audit and the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016 on our consideration of the City of Graham'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 that 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 the 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 City of Graham's internal control over financial reporting and compliance.

STOUT STUART MC GOWEN & KINGS LLP

October 31, 2016

Management's Discussion and Analysis

As management of the City of Graham, we offer readers of the City of Graham's financial statements this narrative overview and analysis of the financial activities of the City of Graham for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

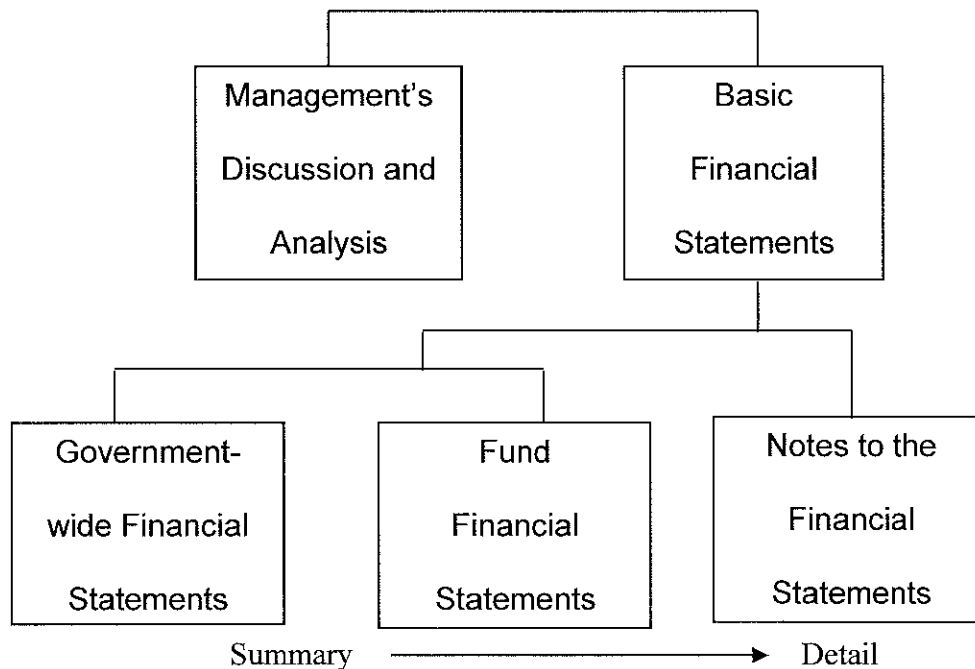
- The assets and deferred outflows of resources of the City of Graham exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$73,385,836 (*net position*).
- The government's total net position increased by \$5,010,900, due to an increase in the government type activities' and the business type activities' net position.
- As of the close of the current fiscal year, the City of Graham's governmental funds reported combined ending fund balances of \$12,249,994 an increase of \$730,647. Approximately 37% of this total amount, or \$4,545,431, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$6,417,805, or 61% of total general fund expenditures for the fiscal year.
- The City of Graham's total debt decreased by \$1,419,484 or 18% during the current fiscal year.
- The water and sewer fund produced an excess of revenue over expenditures in the amount of \$246,632 under budgetary reporting.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to City of Graham's basic financial statements. The city'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 City 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 the City of Graham.

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 City's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the city government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary 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 City's individual funds. 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 City'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 City's financial status as a whole.

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

The government-wide statements are divided into two categories: 1) governmental activities and 2)

business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property, sales and utility taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Graham.

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

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the City'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. The City of Graham, 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 City's budget ordinance. All of the funds of the City of Graham can be divided into two categories: governmental funds and proprietary 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 City'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* that provides a short-term spending 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 City'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.

The City of Graham 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 City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City 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 Council; 2) the final budget as amended by the Council; 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.

Proprietary Funds – The City of Graham has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Graham. The City uses an internal service fund to account for one activity – its central garage operations. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has

Management Discussion and Analysis
City of Graham

been included within the governmental activities in the government-wide financial statements.

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 23 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Graham's progress in funding its obligation to provide pension benefits and Other Post Employment Benefits (OPEB) to its employees. Required supplementary information can be found beginning on page 50 of this report.

Interdependence with Other Entities – The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

The City of Graham's Net Position

Figure 2

| | Governmental Activities | | | Business-Type Activities | | | Total | | |
|-----------------------------------|-------------------------|----------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 |
| Current and other assets | \$ 14,446,301 | \$ 13,138,910 | \$ 11,529,067 | \$ 12,466,580 | \$ 13,426,698 | \$ 11,695,248 | \$ 26,912,881 | \$ 26,565,608 | \$ 23,224,315 |
| Capital assets | 17,382,764 | 14,752,959 | 15,237,865 | 43,463,014 | 42,166,193 | 44,959,757 | 60,845,778 | 56,919,152 | 60,197,622 |
| Deferred outflows of resources | 315,906 | 322,162 | - | 93,919 | 95,683 | 4,817 | 409,825 | 417,845 | 4,817 |
| Total assets | 32,144,971 | 28,214,031 | 26,766,932 | 56,023,513 | 55,688,574 | 56,659,822 | 88,168,484 | 83,902,605 | 83,426,754 |
| Long-term liabilities outstanding | 2,638,719 | 2,172,919 | 1,913,548 | 6,424,676 | 7,261,133 | 8,537,083 | 9,063,395 | 9,434,052 | 10,450,631 |
| Other liabilities | 3,624,160 | 8,275,96 | 6,589,19 | 1,786,540 | 2,417,144 | 1,442,606 | 5,410,700 | 3,244,740 | 2,101,525 |
| Deferred inflows of resources | 245,706 | 1,253,946 | 3,981 | 62,847 | 344,109 | - | 308,553 | 1,598,055 | 3,981 |
| Total liabilities | 6,508,585 | 4,254,461 | 2,576,448 | 8,274,063 | 10,022,386 | 9,979,689 | 14,782,648 | 14,276,847 | 12,556,137 |
| Net Position: | | | | | | | | | |
| Net invested in capital assets | 17,382,764 | 14,752,959 | 15,237,865 | 37,780,731 | 35,096,548 | 40,461,081 | 55,163,495 | 49,849,507 | 55,698,946 |
| Restricted | 4,545,431 | 3,725,725 | 3,701,991 | - | - | - | 4,545,431 | 3,725,725 | 3,701,991 |
| Unrestricted | 3,708,191 | 5,480,886 | 5,250,628 | 9,968,719 | 10,569,640 | 6,219,052 | 13,676,910 | 16,050,526 | 11,469,680 |
| Total net position | \$ 25,636,386 | \$ 23,959,570 | \$ 24,190,484 | \$ 47,749,450 | \$ 45,666,188 | \$ 46,680,133 | \$ 73,385,836 | \$ 69,625,758 | \$ 70,870,617 |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Graham exceeded liabilities and deferred inflows by \$73,385,836 as of June 30, 2016. The city's net position increased by \$5,010,900 for the fiscal year ended June 30, 2016. However, the largest portion (75%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Graham uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Graham's net investment in 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.

Management Discussion and Analysis

City of Graham

An additional portion of the City of Graham's net position, 6% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$13,676,910 is unrestricted.

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

- There was an increase in the local option taxes in the amount of \$250,765.
- Capital projects revenues increased in the amount of \$2,324,316.
- Capital contributions increased in the amount of \$381,218.

City of Graham's Change in Net Position
Figure 3

| | Governmental Activities | | | Business-type Activities | | | Total | | |
|--|-------------------------|----------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 |
| Revenues: | | | | | | | | | |
| Program revenues: | | | | | | | | | |
| Charges for services | \$ 1,122,236 | \$ 966,779 | \$ 1,053,371 | \$ 6,382,730 | \$ 6,477,079 | \$ 5,780,901 | \$ 7,504,966 | \$ 7,443,858 | \$ 6,834,272 |
| Grants and contributions | | | | | | | | | |
| Operating | 1,013,337 | 595,663 | 815,476 | - | - | - | 1,013,337 | 595,663 | 815,476 |
| Capital | 2,557,455 | 178,664 | 123,610 | 835,807 | 451,183 | 502,317 | 3,393,262 | 629,847 | 625,927 |
| General revenues: | | | | | | | | | |
| Property taxes | 4,762,737 | 4,680,760 | 4,519,251 | - | - | - | 4,762,737 | 4,680,760 | 4,519,251 |
| Other taxes | 4,441,133 | 4,232,628 | 3,798,654 | - | - | - | 4,441,133 | 4,232,628 | 3,798,654 |
| Grants and contributions not restricted to specific programs | 147,762 | 182,733 | 473,392 | - | - | - | 147,762 | 182,733 | 473,392 |
| Unrestricted investment earnings | 66,287 | 18,572 | 43,193 | 30,711 | 32,555 | 21,509 | 96,998 | 51,127 | 64,702 |
| Transfers | 13,234 | - | (2,700,000) | (13,234) | - | 2,700,000 | - | - | - |
| Other | 59,501 | 275,816 | 88,911 | - | - | (35,344) | 59,501 | 275,816 | 53,567 |
| Total revenues | 14,183,682 | 11,131,615 | 8,215,858 | 7,236,014 | 6,960,817 | 8,969,383 | 21,419,696 | 18,092,432 | 17,185,241 |
| Expenses: | | | | | | | | | |
| General government | 2,922,144 | 2,616,950 | 2,695,181 | - | - | - | 2,922,144 | 2,616,950 | 2,695,181 |
| Public safety | 4,692,540 | 4,483,264 | 4,708,869 | - | - | - | 4,692,540 | 4,483,264 | 4,708,869 |
| Transportation | 1,313,932 | 1,283,453 | 1,158,937 | - | - | - | 1,313,932 | 1,283,453 | 1,158,937 |
| Economic protection | 690,532 | 662,706 | 668,233 | - | - | - | 690,532 | 662,706 | 668,233 |
| Culture and recreation | 1,627,840 | 1,640,844 | 1,694,489 | - | - | - | 1,627,840 | 1,640,844 | 1,694,489 |
| Water and sewer | - | - | - | 5,161,808 | 5,091,035 | 5,123,427 | 5,161,808 | 5,091,035 | 5,123,427 |
| Total expenses | 11,246,988 | 10,687,217 | 10,925,709 | 5,161,808 | 5,091,035 | 5,123,427 | 16,408,796 | 15,778,252 | 16,049,136 |
| Increase in net position | 2,936,694 | 444,398 | (2,709,851) | 2,074,206 | 1,869,782 | 3,845,956 | 5,010,900 | 2,314,180 | 1,136,105 |
| Special item - Conveyance of land for economic development | - | - | - | - | (2,693,254) | - | - | (2,693,254) | - |
| Net assets, July 1 | 23,959,570 | 24,190,484 | 26,900,335 | 45,666,188 | 46,680,133 | 42,834,177 | 69,625,758 | 70,870,617 | 69,734,512 |
| Net assets - July 1 - Restated | 22,699,692 | 23,515,172 | - | 45,675,244 | 46,489,660 | - | 68,374,936 | 70,004,832 | - |
| Net assets, June 30 | \$ 25,636,386 | \$ 23,959,570 | \$ 24,190,484 | \$ 47,749,450 | \$ 45,666,188 | \$ 46,680,133 | \$ 73,385,836 | \$ 69,625,758 | \$ 70,870,617 |

Governmental activities: Governmental activities increased the City's net position by \$2,936,694. Key elements of this change in net position are as follows:

- Restricted Intergovernmental revenues increased in the amount of \$2,827,099.
- Unrestricted Intergovernmental revenues increased in the amount of \$209,544

Business-type activities: Business-type activities increased the City of Graham's net position by \$2,074,206. Key elements of this increase are as follows:

- There was an increase in capital grants and contributions of \$384,624.
- Expenditures have remained consistent as compared to the prior year.
- There was a decrease in charges for services of \$94,349.

Financial Analysis of the City's Funds

As noted earlier, the City of Graham uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Graham's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Graham's financing requirements.

The general fund is the chief operating fund of the City of Graham. At the end of the current fiscal year, the City of Graham's fund balance available in the General Funds was \$6,417,805, while total fund balance reached \$8,594,592. The Governing Body of the City of Graham has determined that the city should maintain an available fund balance of 30% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting cash flow needs of the City. The City currently has an available fund balance of 61% of general fund expenditures, while total fund balance represents 81% of the same amount.

At June 30, 2016, the governmental funds of the City of Graham reported a combined fund balance of \$12,249,994, with a net increase in fund balance of \$730,647. Included in this change in fund balance is a decrease of \$532,577 in the general fund and an increase in the non-major funds of \$1,263,224.

General Fund Budgetary Highlights: During the fiscal year, the City 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.

Revenues received were more than the original budgeted amounts during the year, keeping pace with expenditures resulting in revenue over expenditures of \$866,165.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer fund at the end of the fiscal year amounted to \$9,968,719. The total decrease in unrestricted net position was \$600,921 due to the activity of the capital projects.

Capital Asset and Debt Administration

Capital assets. The City of Graham's investment in capital assets for its governmental and business-type activities as of June 30, 2016, totals \$60,845,778 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions and disposals:

- Construction in progress for the capital projects.
- Water and sewer lines for the business-type activities.

City of Graham's Capital Assets (net of depreciation)

Figure 4

| | Governmental Activities | | | Business-type Activities | | | Total | | |
|-----------------------------------|-------------------------|---------------|---------------|--------------------------|---------------|---------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 |
| Land | \$ 3,118,468 | \$ 3,067,061 | \$ 3,067,061 | \$ 1,281,547 | \$ 1,281,547 | \$ 1,281,547 | \$ 4,400,015 | \$ 4,348,608 | \$ 4,348,608 |
| Art Collection | 62,100 | 31,600 | 16,600 | - | - | - | 62,100 | 31,600 | 16,600 |
| Building and systems | 1,933,690 | 1,988,060 | 2,049,152 | 13,648,676 | 13,939,909 | 16,779,211 | 15,582,366 | 15,927,969 | 18,828,363 |
| Water and sewers systems | - | - | - | 13,535,302 | 12,982,877 | 13,268,990 | 13,535,302 | 12,982,877 | 13,268,990 |
| Improvements other than buildings | 2,663,366 | 2,715,341 | 2,816,085 | 9,323,480 | 9,334,121 | 9,537,707 | 11,986,846 | 12,049,462 | 12,353,792 |
| Infrastructure | 4,556,031 | 4,358,466 | 4,382,644 | - | - | - | 4,556,031 | 4,358,466 | 4,382,644 |
| Vehicles and equipment | 2,594,885 | 2,592,431 | 2,906,323 | 813,482 | 585,885 | 388,941 | 3,408,367 | 3,178,316 | 3,295,264 |
| Computer software | - | - | - | - | - | - | - | - | - |
| Computer equipment | - | - | - | - | - | - | - | - | - |
| Construction in progress | 2,454,224 | - | - | 4,860,527 | 4,041,854 | 3,703,361 | 7,314,751 | 4,041,854 | 3,703,361 |
| Total revenues | \$ 17,382,764 | \$ 14,752,959 | \$ 15,237,865 | \$ 43,463,014 | \$ 42,166,193 | \$ 44,959,757 | \$ 60,845,778 | \$ 56,919,152 | \$ 60,197,622 |

Additional information on the city's capital assets can be found in note II.A.4. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2016, the City of Graham had no bonded debt outstanding.

City of Graham's Outstanding Debt

The City of Graham's total debt decreased by 18% during the past fiscal year, this decrease is due to payments on debt which totaled \$1,419,484.

North Carolina general statutes limit 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 City of Graham is \$77,373,419.

Additional information regarding the City of Graham's long-term debt can be found in note II.B.4.

Economic Factors and Next Year's Budgets and Rates

Economic downturns, a stagnant tax base and the loss of traditional industry challenged the General Fund to meet service demands over the last several years. Today, the General Fund is poised for a comeback as we are seeing an uptick in the general economy, increased construction activity in the Graham area and dividends from our investments in economic development. The most notable difference in the General Fund this year is the increase in the City's taxable base. In each year from 2010-2014, the growth of the City's tax base lagged behind the increase in the Consumer Price Index for all Urban Consumers (CPI-U). In fact, in fiscal year 2011-2012, the City's tax base actually fell. The trend of slow or no growth seems to have ended and the tax base for FY 2016-2017 is estimated to climb by nearly 5%. Our tax rate remains at 45.5 cents per \$100 valuation and Water and Sewer Rates remained the same.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities: Among the expenditures for FY 2016-2017 are a total of \$1,180,800 in capital and non-recurring costs. Repairs to facilities and replacement of equipment are the chief expenses.

Staffing levels in the General Fund will change very slightly with the addition of part-time assistance in the Inspections Department. While the General Fund is positioned better to support expenditures, many expenditures were left unfunded and are thus delayed. A total of \$1,911,500 in requests did not receive funding. Budgeted expenditures in the General Fund reflect the continuation of services at existing levels, but will be subject to inflationary increases. The General Fund continues to support two special projects, the Senator Ralph Scott Parkway Extension and Phase 1 of the City's new park on Jim Minor Road.

Other highlights include:

- FY 2016-2017 will mark the first year of revenue generated from the NCCP revenue sharing agreement where it is estimated that Graham will receive \$146,000. Also, a levy of approximately \$93,000 is anticipated to be realized bringing total revenues for FY 2016-2017 from the NCCP to approximately \$239,000.
- Each dollar of anticipated revenue from the State Street-Aid Allocation Law (Powell Bill) will be used for street resurfacing (\$389,000).
- Animal Shelter expenditures for FY 2016-2017 are approximately \$90,600 and will not be affected by the potential construction of a new facility or change in the cost allocation formula.

Business-type Activities: The Water and Sewer Fund is anticipated to realize its full financial recovery from the struggles of better than a decade. In fact, it is estimated that the fund will be able to transfer \$220,000 to the General Fund to support the various administrative and support functions provided by the General Fund. While this ability to transfer is significant, it still doesn't cover all administrative and support benefits received from the General Fund and is a token when compared to the \$5,634,418 that was transferred from the General Fund between 2001 and 2011. Subsequent years should allow for the Water and Sewer Fund an increased ability to cover administrative and support costs and afford the City the opportunity to debate repayment of the funds previously provided by the General Fund.

The total budget for the Water & Sewer Fund is \$6,724,000 which represents a decrease of \$220,500 or 3.18%. Water and sewer charges are \$5,390,000 or 80% of the revenues for this Fund. Construction of the Boyd Creek Pump Station is the foremost expenditure on the horizon.

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any information found in this report or request for additional information should be directed to:

Frankie Maness, City Manager
City of Graham
201 South Main Street
Graham, NC 27253

City of Graham, North Carolina

Exhibit 1

Statement of Net Position

June 30, 2016

| | Primary Government | | |
|---|----------------------------|-----------------------------|---------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 10,381,544 | \$ 7,242,692 | \$ 17,624,236 |
| Taxes receivables (net) | 235,751 | - | 235,751 |
| Accrued interest receivable on taxes | 51,240 | - | 51,240 |
| Accounts receivable (net) | 1,271,198 | 1,079,201 | 2,350,399 |
| Prepaid expenses | 22,065 | - | 22,065 |
| Due from other governments | 2,452,371 | 918,307 | 3,370,678 |
| Internal balances | (6,303) | 6,303 | - |
| Restricted Cash and cash equivalents | 38,435 | 926,813 | 965,248 |
| Notes receivable | - | 2,293,264 | 2,293,264 |
| Capital assets (Note 1): | | | |
| Land, non-depreciable improvements, and construction in progress | 5,634,792 | 6,142,094 | 11,776,886 |
| Other capital assets, net of depreciation | 11,747,972 | 37,320,920 | 49,068,892 |
| Total capital assets | 17,382,764 | 43,463,014 | 60,845,778 |
| Total assets | 31,829,065 | 55,929,594 | 87,758,659 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Contributions to pension plan in current fiscal year | 315,906 | 89,102 | 405,008 |
| Deferred charge on refunding | - | 4,817 | 4,817 |
| Total deferred outflows of resources | 315,906 | 93,919 | 409,825 |
| LIABILITIES | | | |
| Accounts payable | 1,637,388 | 527,426 | 2,164,814 |
| Accrued interest payable | - | 66,563 | 66,563 |
| Payable from restricted assets | 38,435 | 111,633 | 150,068 |
| Long-term liabilities: | | | |
| Net pension liability - LGERS | 387,063 | 109,172 | 496,235 |
| Net pension liability - LEO | 1,337,069 | - | 1,337,069 |
| Due within one year | 224,205 | 971,746 | 1,195,951 |
| Due in more than one year | 2,638,719 | 6,424,676 | 9,063,395 |
| Total liabilities | 6,262,879 | 8,211,216 | 14,474,095 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Prepaid taxes | 6,339 | - | 6,339 |
| Unearned revenue | 16,545 | - | 16,545 |
| Pension deferrals | 222,822 | 62,847 | 285,669 |
| | 245,706 | 62,847 | 308,553 |
| NET POSITION | | | |
| Net investment in capital assets | 17,382,764 | 37,780,731 | 55,163,495 |
| Restricted for: | | | |
| Cemetery Perpetual Care | 2,368,644 | - | 2,368,644 |
| Stabilization by State Statute | 2,176,787 | - | 2,176,787 |
| Unrestricted | 3,708,191 | 9,968,719 | 13,676,910 |
| Total net position | \$ 25,636,386 | \$ 47,749,450 | \$ 73,385,836 |

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

City of Graham, North Carolina
Statement of Activities
For the Year Ended June 30, 2016

Exhibit 2

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental Activities: | | | | | | | |
| General government | 2,922,144 | 290,581 | 433,500 | - | \$ (2,198,063) | \$ - | \$ (2,198,063) |
| Public safety | 4,692,540 | 299,816 | 156,334 | - | (4,236,390) | - | (4,236,390) |
| Transportation | 1,313,932 | - | 393,952 | 2,552,203 | 1,632,223 | - | 1,632,223 |
| Environmental protection | 690,532 | 321,202 | - | - | (369,330) | - | (369,330) |
| Human services | - | - | 29,551 | - | 29,551 | - | 29,551 |
| Cultural and recreation | 1,627,840 | 210,637 | - | 5,252 | (1,411,951) | - | (1,411,951) |
| Total governmental activities | 11,246,988 | 1,122,236 | 1,013,337 | 2,557,455 | (6,553,960) | - | (6,553,960) |
| Business-type activities: | | | | | | | |
| Water and sewer | 5,161,808 | 6,382,730 | - | 835,807 | - | 2,056,729 | 2,056,729 |
| Total business-type activities | 5,161,808 | 6,382,730 | - | 835,807 | - | 2,056,729 | 2,056,729 |
| Total primary government | \$ 16,408,796 | \$ 7,504,966 | \$ 1,013,337 | \$ 3,393,262 | (6,553,960) | 2,056,729 | (4,497,231) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purpose | | | | | 4,762,737 | - | 4,762,737 |
| Other taxes | | | | | 4,441,133 | - | 4,441,133 |
| Grants and contributions not restricted to specific programs | | | | | 147,762 | - | 147,762 |
| Unrestricted investment earnings | | | | | 66,287 | 30,711 | 96,998 |
| Miscellaneous | | | | | 59,501 | - | 59,501 |
| Total general revenues excluding special items, and transfers | | | | | 9,477,420 | 30,711 | 9,508,131 |
| Transfers | | | | | 13,234 | (13,234) | - |
| Total general revenues, special items, and transfers | | | | | 9,490,654 | 17,477 | 9,508,131 |
| Change in net position | | | | | 2,936,694 | 2,074,206 | 5,010,900 |
| Net position-beginning, previously reported | | | | | 23,959,570 | 45,666,188 | 69,625,758 |
| Restatement | | | | | (1,259,878) | 9,056 | (1,250,822) |
| Net position-beginning, restated | | | | | 22,699,692 | 45,675,244 | 68,374,936 |
| Net position-ending | | | | | \$ 25,636,386 | \$ 47,749,450 | \$ 73,385,836 |

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

City of Graham, North Carolina
Balance Sheet
Governmental Funds
June 30, 2016

Exhibit 3
(continued)

| | Major Fund General | Total Non- Major Funds | Total Governmental Funds |
|--|-------------------------------|-----------------------------------|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 7,079,609 | \$ 3,117,322 | \$ 10,196,931 |
| Restricted cash | 38,435 | - | 38,435 |
| Accrued interest receivable | 32,618 | 12,386 | 45,004 |
| Taxes receivables, net | 235,751 | - | 235,751 |
| Accounts receivables, net | 1,003,186 | 200,000 | 1,203,186 |
| Due from other governments | 1,129,215 | 1,323,156 | 2,452,371 |
| Total assets | <u>\$ 9,518,814</u> | <u>\$ 4,652,864</u> | <u>\$ 14,171,678</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 627,152 | 997,462 | 1,624,614 |
| Payable from restricted cash | 38,435 | - | 38,435 |
| Total liabilities | <u>665,587</u> | <u>997,462</u> | <u>1,663,049</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property taxes receivable | 235,751 | - | 235,751 |
| Prepaid taxes | 6,339 | - | 6,339 |
| Unearned revenue | 16,545 | - | 16,545 |
| Total deferred inflows of resources | <u>258,635</u> | <u>-</u> | <u>258,635</u> |
| FUND BALANCES | | | |
| Non Spendable | | | |
| Cemetary Perpetual Care | - | 2,368,644 | 2,368,644 |
| Restricted | | | |
| Stabilization by State Statute | 2,176,787 | - | 2,176,787 |
| Assigned | | | |
| General Government improvements | - | 1,286,758 | 1,286,758 |
| Subsequent year's expenditures | 892,000 | - | 892,000 |
| Unassigned | 5,525,805 | - | 5,525,805 |
| Total fund balances | <u>8,594,592</u> | <u>3,655,402</u> | <u>12,249,994</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 9,518,814</u> | <u>\$ 4,652,864</u> | |

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

(continued)

City of Graham, North Carolina
Balance Sheet
Governmental Funds
June 30, 2016

Exhibit 3
(continued)

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

| | | |
|---|---------------------|----------------------|
| Total fund Balance, Governmental Funds | | 12,249,994 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Gross capital assets at historical cost | 28,934,475 | |
| Accumulated depreciation | <u>(11,551,711)</u> | |
| Total | 17,382,764 | |
| Less internal service fund net capital assets included as net assets below | <u>(75,109)</u> | 17,307,655 |
| Deferred outflows of resources related to pensions are not reported in the funds | | |
| | | 313,781 |
| Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds | | |
| | | 51,240 |
| Internal service funds are used by management to charge the costs of the garage fund, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets. | | |
| | 270,635 | |
| Consolidation adjustment for internal balances between the Internal Service Fund and the Governmental Funds. | | |
| | <u>(6,303)</u> | 264,332 |
| Earned revenues considered deferred inflows of resources in fund statements. | | 235,751 |
| Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds. | | |
| | | (4,186,406) |
| Net pension liability | | (377,139) |
| Deferred inflows of resources related to pensions are not reported in the funds | | |
| | | <u>(222,822)</u> |
| Net position of governmental activities | | <u>\$ 25,636,386</u> |

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

City of Graham, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

Exhibit 4

| | Major Fund | | |
|---|--------------|--------------------------|-----------------------------|
| | General Fund | Total Non-Major Funds | Total Governmental Funds |
| REVENUES | | | |
| Ad valorem taxes | \$ 4,771,859 | \$ - | \$ 4,771,859 |
| Other taxes and licenses | (86) | - | (86) |
| Unrestricted intergovernmental | 4,502,998 | - | 4,502,998 |
| Restricted intergovernmental | 1,081,678 | 2,324,316 | 3,405,994 |
| Permits and fees | 287,384 | - | 287,384 |
| Sales and services | 632,725 | 33,065 | 665,790 |
| Investment earnings | 35,671 | 29,145 | 64,816 |
| Other revenues | 131,403 | - | 131,403 |
| Total revenues | 11,443,632 | 2,386,526 | 13,830,158 |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 2,357,948 | 81,054 | 2,439,002 |
| Public safety | 4,336,771 | - | 4,336,771 |
| Transportation | 1,705,188 | 2,217,426 | 3,922,614 |
| Environmental protection | 594,647 | - | 594,647 |
| Culture and recreation | 1,582,913 | 236,798 | 1,819,711 |
| Capital Outlay | - | - | - |
| Total expenditures | 10,577,467 | 2,535,278 | 13,112,745 |
| Excess (deficiency) of revenues over expenditures | 866,165 | (148,752) | 717,413 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers (to) from other funds | (1,398,742) | 1,411,976 | 13,234 |
| Total other financing sources (uses) | (1,398,742) | 1,411,976 | 13,234 |
| Net change in fund balance | (532,577) | 1,263,224 | 730,647 |
| Fund balances-beginning | 9,127,169 | 2,392,178 | 11,519,347 |
| Fund balances-ending | \$ 8,594,592 | \$ 3,655,402 | \$ 12,249,994 |

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

(continued)

City of Graham, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

Exhibit 4
(continued)

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

| | | |
|--|------------------|-------------------------|
| Net changes in fund balances - total governmental funds | \$ | 730,647 |
| 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 | \$ | 3,316,565 |
| Depreciation expense for governmental assets | <u>(804,817)</u> | 2,511,749 |
| Book value of disposed capital asset not recorded in fund statements | | (9,828) |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | | 318,461 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds | | |
| Amount of donated assets | | 129,286 |
| Change in unavailable revenue for tax revenue | | (8,230) |
| Change in accrued interest receivable on taxes | | (892) |
| 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 | | (67,741) |
| Pension expense | | (246,879) |
| Net pension obligation LEO | | (45,083) |
| Other Postemployment benefits | | (368,923) |
| Consolidation adjustment for internal balances between the Internal Service Fund and the Governmental Funds | 431 | |
| Net revenue of internal service funds determined to be governmental-type. | <u>(6,303)</u> | (5,872) |
| Total changes in net position of governmental activities | \$ | <u><u>2,936,695</u></u> |

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

City of Graham, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2016

Exhibit 5

| | General Fund | | | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|---------------------|-------------------|---------------------|---|
| | Original | Final | Actual Amounts | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 4,508,500 | \$ 4,533,626 | \$ 4,771,859 | \$ 238,233 |
| Other taxes and licenses | 100 | 100 | (86) | (186) |
| Unrestricted intergovernmental | 4,075,000 | 4,140,000 | 4,502,998 | 362,998 |
| Restricted intergovernmental | 480,100 | 1,084,750 | 1,081,678 | (3,072) |
| Permits and fees | 81,000 | 81,000 | 287,384 | 206,384 |
| Sales and services | 545,700 | 551,700 | 632,725 | 81,025 |
| Investment earnings | 25,000 | 25,000 | 35,671 | 10,671 |
| Other revenues | 88,400 | 94,050 | 131,403 | 37,353 |
| Total revenues | <u>9,803,800</u> | <u>10,510,226</u> | <u>11,443,632</u> | <u>933,406</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 2,164,200 | 2,609,050 | 2,357,948 | 251,102 |
| Public safety | 4,536,400 | 4,603,500 | 4,336,771 | 266,729 |
| Transportation | 1,629,900 | 1,812,626 | 1,705,188 | 107,438 |
| Environmental protection | 619,900 | 619,900 | 594,647 | 25,253 |
| Cultural and recreation | 1,757,000 | 1,768,750 | 1,582,913 | 185,837 |
| Total expenditures | <u>10,707,400</u> | <u>11,413,826</u> | <u>10,577,467</u> | <u>836,359</u> |
| Revenues over (under) expenditures | <u>(903,600)</u> | <u>(903,600)</u> | 866,165 | 1,769,765 |
| Other financing sources (uses): | | | | |
| Appropriated fund balance | | | | |
| General Fund | 903,600 | 2,320,267 | - | (2,320,267) |
| Transfers (to) from other funds | - | (1,416,667) | (1,398,742) | 17,925 |
| Total other financing sources (uses) | <u>903,600</u> | <u>903,600</u> | <u>(1,398,742)</u> | <u>(2,302,342)</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>(532,577)</u> | <u>\$ (532,577)</u> |
| Fund balances, beginning of year | | | <u>9,127,169</u> | |
| Fund balances, end of year | | | <u>\$ 8,594,592</u> | |

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

City of Graham, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2016

Exhibit 6

| | Water and Sewer Fund | Internal Service Fund |
|--|---------------------------------|------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 7,242,692 | \$ 184,613 |
| Accounts receivable (net) | 1,079,201 | 23,008 |
| Due from other governments | 918,307 | - |
| Prepaid Expenses | - | 22,065 |
| Restricted Cash and cash equivalents | 926,813 | - |
| Total current assets | <u>10,167,013</u> | <u>229,686</u> |
| Noncurrent assets: | | |
| Notes receivable | 2,293,264 | - |
| Capital assets: | | |
| Land and other non-depreciable assets | 6,142,094 | 9,500 |
| Other capital assets, net of depreciation | 37,320,920 | 65,609 |
| Capital assets (net) | <u>43,463,014</u> | <u>75,109</u> |
| Total noncurrent assets | <u>45,756,278</u> | <u>75,109</u> |
| Total assets | <u>55,923,291</u> | <u>304,795</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Contributions to pension plan | 89,102 | 7,577 |
| Deferred charge on refunding | 4,817 | - |
| Total deferred outflows of resources | <u>93,919</u> | <u>7,577</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 527,426 | 12,774 |
| Accrued interest | 66,563 | - |
| Customer deposits | 111,633 | - |
| Current portion of long term debts | 971,746 | - |
| Total current liabilities | <u>1,677,368</u> | <u>12,774</u> |
| Noncurrent liabilities: | | |
| Other noncurrent liabilities: | | |
| Other postemployment benefits | 766,327 | - |
| Compensated absences | 132,632 | 13,586 |
| Net pension liability | 109,172 | 9,925 |
| Non-current portion of long term debt | 5,525,717 | - |
| Total noncurrent liabilities | <u>6,533,848</u> | <u>23,511</u> |
| Total liabilities | <u>8,211,216</u> | <u>36,285</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension deferrals | 62,847 | 5,452 |
| NET POSITION | | |
| Net investment in capital assets | 37,780,731 | 75,109 |
| Unrestricted | <u>9,962,416</u> | <u>195,526</u> |
| Total net position | 47,743,147 | <u>\$ 270,635</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | <u>6,303</u> | |
| Net position of business- type activities | <u>\$ 47,749,450</u> | |

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

City of Graham, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

Exhibit 7

| | Water and Sewer Fund | Internal Service Fund |
|--|---------------------------------|----------------------------------|
| OPERATING REVENUES | | |
| Charges for services | \$ 6,111,707 | \$ 655,375 |
| Other operating revenues | 271,023 | - |
| Total operating revenues | <u>6,382,730</u> | <u>655,375</u> |
| OPERATING EXPENSES | | |
| Billing and metering | 664,993 | - |
| Distribution and maintenance | 848,648 | - |
| Sewer mains | 218,446 | - |
| Water treatment plant | 1,334,010 | - |
| Sewer treatment plant | 941,564 | - |
| Non-departmental | 205,261 | - |
| Depreciation and amortization | 887,011 | 5,675 |
| Garage operations | - | 637,082 |
| Total operating expenses | <u>5,099,933</u> | <u>642,757</u> |
| Operating income (loss) | <u>1,282,797</u> | <u>12,618</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest earned on investment | 30,711 | 1,422 |
| Interest on long-term debt | (67,747) | - |
| Total nonoperating revenue (expenses) | <u>(37,036)</u> | <u>1,422</u> |
| Income (loss) before contributions, special item and transfers | <u>1,245,761</u> | <u>14,040</u> |
| Capital contributions | 831,218 | - |
| Gain (loss) on disposition | 4,589 | - |
| Transfers to / from other funds | (13,234) | - |
| Contributions, special item and transfers | <u>822,573</u> | <u>-</u> |
| Change in net position before internal service fund consolidation | 2,068,334 | 14,040 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | 5,872 | - |
| Change in net position | <u>2,074,206</u> | <u>14,040</u> |
| Total net position - previously reported | 45,666,188 | 256,595 |
| Restatement | 9,056 | - |
| Total net position - restated | <u>45,675,244</u> | <u>256,595</u> |
| Total net position - ending | <u>\$ 47,749,450</u> | <u>\$ 270,635</u> |

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

City of Graham, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

Exhibit 8

| | <u>Water and Sewer Fund</u> | <u>Internal Service Fund</u> |
|--|-------------------------------------|--------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 5,950,439 | \$ 663,031 |
| Cash paid for goods and services | (2,668,318) | (548,070) |
| Cash paid to or on behalf of employees for services | (1,381,901) | (95,038) |
| Customer deposits received | 1,656 | - |
| Customer deposits returned | (7,508) | - |
| Other operating revenue received | 271,023 | - |
| Net cash provided (used) by operating activities | <u>2,165,391</u> | <u>19,923</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (854,074) | (18,217) |
| Payments received on notes receivable | 227,403 | - |
| Principal paid on bonds and notes payable | (1,419,484) | - |
| Interest paid on bonds and notes payable | (78,562) | - |
| Other non-operating revenue | 8,330 | - |
| Operating transfer from General Fund | - | - |
| Net cash provided (used) by capital and related financing activities | <u>(2,116,387)</u> | <u>(18,217)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest on investments and assessments | <u>29,641</u> | <u>1,426</u> |
| Net cash provided (used) by investing activities | <u>29,641</u> | <u>1,426</u> |
| Net increase (decrease) in cash and cash equivalents | 78,645 | 3,132 |
| Balances-beginning of the year | 8,090,860 | 181,481 |
| Balances-end of the year | <u>\$ 8,169,505</u> | <u>\$ 184,613</u> |

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

City of Graham, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

Exhibit 8

| | <u>Water and Sewer Fund</u> | <u>Internal Service Fund</u> |
|---|-------------------------------------|--------------------------------------|
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | |
| Operating income (loss) | \$ 1,282,797 | \$ 12,618 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | 887,011 | 5,675 |
| Pension expense | 252,123 | (2,389) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (181,708) | 7,656 |
| Increase (decrease) in allowance for doubtful accounts | 20,440 | - |
| (Increase) decrease in prepaid expenses | - | 5,991 |
| Increase (decrease) in accounts payable | 80,324 | (12,741) |
| Increase (decrease) in customer deposits | (5,852) | - |
| Increase (decrease) in accrued salaries | (523) | 440 |
| Increase (decrease) in accrued vacation pay | 5,655 | (136) |
| Increase (decrease) in accrued OPEB liability | 106,386 | - |
| Increase (decrease) in accrued Net Pension | (281,262) | 2,809 |
| Total adjustments | <u>882,594</u> | <u>7,305</u> |
| Net cash provided (used) by operating activities | <u>\$ 2,165,391</u> | <u>\$ 19,923</u> |

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

City of Graham, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

I. Summary of Significant Accounting Policies

The accounting policies of the City of Graham 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 City of Graham is a municipal corporation, which is governed by a five-member council, including the elected mayor. The City is located in the central part of Alamance County.

As required by generally accepted accounting principles these financial statements present the primary government (i.e. City) and any component units. Component units are defined as legally separate organizations for which the elected officials of the City are financially accountable. The City of Graham has no component units as defined above.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City'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 City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

Notes to the Financial Statements

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety and general government.

The City reports the following non-major governmental funds:

Graham Memorial Park. This fund is used to account for cemetery funds that are restricted for use for a particular purpose.

Eastway Lane–Franklin Street Stormwater Replacement Project. This fund is used to account for the street stormwater replacement project.

Project Quarter. This fund is used to account for the construction of the roadway to serve Project Quarter.

Jim Minor Road Park. This fund is used to account for phase 1 of the construction of the new park.

The City reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the City's water and sewer operations.

The City reports the following fund type:

Internal Service Fund. – The garage fund is used to account for the accumulation and allocation of cost associated with the City's garage.

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary 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. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, 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 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.

Notes to the Financial Statements

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a 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. Also, 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 the 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 City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Graham because the tax is levied by Alamance County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City 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 City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

Notes to the Financial Statements

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Projects Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. The City's Garage Fund, an internal service fund, operates under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board. During the year, several 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.

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

1. Deposits and Investments

All deposits of the City are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City 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 City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

The letter of credit funds are restricted due to the possibility these funds could be paid back to developers. The unexpended bond proceeds of Water and Sewer Fund bonds issued by the City are classified as restricted assets for the enterprise fund because their use is completely restricted to fund water related projects as designated by the board. Funds have also been restricted by the City Council for capital improvements. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

Notes to the Financial Statements

City of Graham Restricted Cash

| | | |
|----------------------|-------------------------------------|------------|
| General Fund | Letter of Credit | \$ 38,435 |
| Water and Sewer Fund | Customer deposits | 111,633 |
| | Unexpended capital projects revenue | 815,180 |
| | | 926,813 |
| | Total Restricted Cash | \$ 965,248 |

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City 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, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2015.

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 City's enterprise fund consist of expendable materials and supplies held for subsequent use. The cost of these inventories is expensed 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 and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of one year. Minimum capitalization cost are as follows: Buildings and improvements, \$20,000; infrastructure, \$100,000; equipment, \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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.

Notes to the Financial Statements

Capital assets are depreciated using the straight-line method over the following useful lives:

| Asset Class | Estimated Useful Lives |
|--|------------------------|
| Infrastructure | 50 |
| Buildings | 50 |
| Improvements | 25 |
| Vehicles | 10 |
| Furniture and equipment | 10 |
| Computer software | 5 |
| Computer equipment | 3 |
| Water substations, lines and related equipment | 67 |

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. The 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 City has two items that meet this criterion, contributions made to the pension plan in the 2016 fiscal year, and a deferred charge on refunding for a Water and Sewer loan. In addition to liabilities, the statement of financial position will sometimes 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 City has several items that meet the criterion for this category- prepaid taxes, unearned revenue and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the City provides for paid vacation to full-time classified employees according to their length of service. The calendar year is the vacation year and all vacation days shall be taken within the year earned, unless specific approval is obtained from the City Manager. Employees at June 30 are entitled to full vacation pay for the year, except that they forfeit accrued

Notes to the Financial Statements

vacation pay if they fail to give prior notice of intention to resign. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policy provides for an 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 City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances 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 be maintained intact.

Perpetual maintenance – Cemetery resources that are required to be retained in perpetuity for maintenance of the City of Graham Cemetery.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

Assigned Fund Balance – portion of fund balance that the City of Graham intends to use for specific purposes.

Assigned for General Government Improvements – portion of fund balance that has been budgeted by the Council for the Capital Project's Funds.

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

Notes to the Financial Statements

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

The City of Graham has adopted a minimum fund balance policy for the general fund which instructs management to conduct business of the City in such a manner that available fund balance is at least equal to or greater than 30% of budgeted expenditures.

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Graham's employer contributions are recognized when due and the City of Graham has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Estimates

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

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in the City's name. 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 City, these deposits are considered to be held by the City's agents in their 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

Notes to the Financial Statements

their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City 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 City 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 City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the City's deposits had a carrying amount of \$18,547,751 and a bank balance of \$19,036,091. Of the bank balance, \$1,289,596 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2016, the City's petty cash fund totaled \$2,136.

2. Investments

At June 30, 2016, the City of Graham had \$39,596 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2016, are net of the following allowances for doubtful accounts:

| <u>Funds</u> | <u>2016</u> |
|---|-------------------|
| General Fund: taxes receivable | \$ 46,177 |
| Water and Sewer Fund: accounts receivable | 230,538 |
| Total | <u>\$ 276,715</u> |

Notes to the Financial Statements

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2016, was as follows:

| Governmental activities: | Beginning | | | Ending |
|--|----------------------|-----------|-----------|----------------------|
| | Balances | Increases | Decreases | Balances |
| Capital assets not being depreciated: | | | | |
| Land | \$ 3,067,061 | \$ 51,407 | \$ - | \$ 3,118,468 |
| Art Collection | 31,600 | 30,500 | - | 62,100 |
| Construction in progress | - | 2,454,224 | - | 2,454,224 |
| Total capital assets not being depreciated | 3,098,661 | 2,536,131 | - | 5,634,792 |
| Capital assets being depreciated: | | | | |
| Buildings | 3,434,958 | - | - | 3,434,958 |
| Other improvements | 4,731,169 | 101,105 | - | 4,832,274 |
| Vehicles and motorized equipment | 5,847,789 | 338,892 | 46,794 | 6,139,887 |
| Infrastructure | 5,058,975 | 289,210 | - | 5,348,185 |
| Equipment and furniture | 3,420,663 | 179,111 | 55,394 | 3,544,380 |
| Total capital assets being depreciated | 22,493,554 | 908,318 | 102,188 | 23,299,684 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,446,898 | 57,731 | - | 1,504,629 |
| Other improvements | 2,015,828 | 150,952 | - | 2,166,780 |
| Vehicles and motorized equipment | 4,042,059 | 370,294 | 40,426 | 4,371,927 |
| Infrastructure | 700,509 | 91,645 | - | 792,154 |
| Equipment and furniture | 2,633,962 | 134,195 | 51,935 | 2,716,222 |
| Total accumulated depreciation | 10,839,256 | 804,817 | 92,361 | 11,551,712 |
| Total capital assets being depreciated, net | 11,654,298 | | | 11,747,972 |
| Governmental activity capital assets, net | \$ 14,752,959 | | | \$ 17,382,764 |

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

| | |
|---|-------------------|
| By Function | |
| Buildings | \$ 56,466 |
| Improvements | 150,266 |
| Infrastructure | 91,645 |
| By Department | |
| General Government | 26,918 |
| Public Safety | 239,766 |
| Transportation | 80,910 |
| Environmental Protection | 99,621 |
| Cultural and Recreation | 53,550 |
| Depreciation on capital assets held in the City's internal service fund and charged to functions based on usage | |
| Garage | 5,675 |
| Total depreciation expense | <u>\$ 804,817</u> |

Notes to the Financial Statements

| Business-type activities: Water and Sewer Fund | Beginning | | | Ending |
|---|----------------------|-----------|-----------|----------------------|
| | Balances | Increases | Decreases | Balances |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,281,547 | \$ - | \$ - | \$ 1,281,547 |
| Construction in progress | 4,041,854 | 818,693 | - | 4,860,547 |
| Total capital assets not being depreciated | 5,323,401 | 818,693 | - | 6,142,094 |
| Capital assets being depreciated: | | - | - | |
| Buildings | 20,378,908 | - | - | 20,378,908 |
| Lines | 19,750,404 | 838,039 | - | 20,588,443 |
| Other improvements | 12,821,972 | 201,035 | - | 13,023,007 |
| Equipment and furniture | 1,864,853 | 334,794 | 86,436 | 2,113,211 |
| Total capital assets being depreciated | 54,816,137 | 1,373,868 | 86,436 | 56,103,569 |
| Less accumulated depreciation for: | | - | | |
| Buildings | 6,438,999 | 291,233 | - | 6,730,232 |
| Lines | 6,767,527 | 285,614 | - | 7,053,141 |
| Other improvements | 3,487,851 | 211,676 | - | 3,699,527 |
| Equipment and furniture | 1,278,968 | 98,329 | 77,548 | 1,299,749 |
| Total accumulated depreciation | 17,973,345 | 886,852 | 77,548 | 18,782,649 |
| Total capital assets being depreciated, net | 36,842,792 | | | 37,320,920 |
| Business-type activities capital assets, net | \$ 42,166,193 | | | \$ 43,463,014 |

Construction commitments

The government has active construction projects as of June 30, 2016. At year-end, the City's commitments with contractors are as follows:

| Project | Spent-to-Date | Remaining Commitment |
|--|----------------------|----------------------|
| Project Quarter Capital Project | \$ 2,217,426 | \$ 12,574 |
| Jim Minor Road Park Capital Project | 236,798 | 763,202 |
| Project Swordfish Capital Project | 6,539,692 | 36,705 |
| Water Treatment Plant Improvements Capital | 5,685,787 | 652,616 |
| Total | <u>\$ 14,679,703</u> | <u>\$ 1,465,097</u> |

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Graham is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local

Notes to the Financial Statements

Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Graham employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Graham's contractually required contribution rate for the year ended June 30, 2016, was 7.15% of compensation for law enforcement officers and 6.67% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Graham were \$395,212 for the year ended June 30, 2016.

Refunds of Contributions – City 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

Notes to the Financial Statements

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, 2016, the City reported a liability of \$496,235 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City'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, 2015, the City's proportion was 0.110%, which was a decrease of 0.00175% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$222,573. At June 30, 2016, the City 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 | \$ - | \$ 116,643 |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 141,276 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 9,796 | 27,750 |
| City contributions subsequent to the measurement date | 395,212 | - |
| Total | <u>\$ 405,008</u> | <u>\$ 285,669</u> |

\$395,212 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|--------------|
| 2017 | \$ (168,599) |
| 2018 | (168,599) |
| 2019 | (168,453) |
| 2020 | 229,779 |
| 2021 | - |
| Thereafter | - |

Notes to the Financial Statements

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|--------------------------|---|
| Fixed Income | 29.0% | 2.2% |
| Global Equity | 42.0% | 5.8% |
| Real Estate | 8.0% | 5.2% |
| Alternatives | 8.0% | 9.8% |
| Credit | 7.0% | 6.8% |
| Inflation Protection | 6.0% | 3.4% |
| Total | 100.0% | |

Notes to the Financial Statements

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

| | <u>(6.25%)</u> | <u>(7.25%)</u> | <u>(8.25%)</u> |
|---|----------------|----------------|----------------|
| City's proportionate share of the pension liability (asset) | \$ 3,460,295 | \$ 496,232 | \$ (2,000,925) |

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The City of Graham administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of:

| | |
|--|-----------|
| Retirees receiving benefits | 1 |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active plan members | 41 |
| Total | <u>42</u> |

Notes to the Financial Statements

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies:

Basis of Accounting. The City 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 and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members

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

3. Contributions.

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

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 3.57% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.5% to 7.35% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include post-employment benefit increases.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

| | |
|---|----------------------------|
| Annual required contribution | \$ 124,576 |
| Interest on net pension obligation | 46,124 |
| Adjustment to annual required contribution | (112,736) |
| Annual pension cost | 57,964 |
| Contributions made | (12,881) |
| Increase (decrease) in net pension obligation | 45,083 |
| Net pension obligation beginning of year | 1,291,986 |
| Net pension obligation end of year | <u><u>\$ 1,337,069</u></u> |

Notes to the Financial Statements

| For Year Ended June 30 | 3 Year Trend Information | | |
|---------------------------|------------------------------|----------------------------------|---------------------------|
| | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
| 2014 | \$ 62,837 | 25.21% | \$ 1,244,452 |
| 2015 | 60,415 | 21.32% | 1,291,986 |
| 2016 | 57,964 | 22.22% | 1,337,069 |

4. *Funded Status and Funding Progress*

As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$806,147. The covered payroll (annual payroll of active employees covered by the plan) was \$2,067,710, and the ratio of the UAAL to the covered payroll was 38.99 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were \$89,524 which consisted of \$72,612 from the City and \$16,912 from the law enforcement officers.

d. Supplemental Retirement Income Plan for Non-Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan, (Plan) a defined contribution pension plan administered by a local financial institution. The Plan provides retirement benefits to non-law enforcement officers employed by the City.

Funding Policy. The City contributes an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the June 30, 2016 were \$352,481, which consisted of \$160,234 from the City and \$192,247 from the employees.

Notes to the Financial Statements

e. Firefighter's Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of Graham, to the Firefighter's and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighter's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City of Graham funds the plan members required contribution of \$10 per month to the Fund. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2015, the State contributed \$13,900,000 to the plan. The City of Graham's proportionate share of the State's contribution is \$10,312.

Refunds of Contributions – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2016, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$26,974. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial

Notes to the Financial Statements

valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2015 and at June 30, 2014 was 0%.

For the year ended June 30, 2016, the City recognized pension expense of \$2,159 and revenue of \$2,159 for support provided by the State. At June 30, 2016, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | Not applicable |
| Investment rate of return | 7.25 percent, net of pension plan investment expense, including inflation |

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

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

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

f. Other Post-employment Benefits

Healthcare Benefits

Plan Description. Under the terms of a City resolution, the City administers a single-employers defined benefit Healthcare Benefits Plan (the HCB Plan). As of June 30, 2003 the plan provides post-employment health care benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least fifteen years of creditable service with the City. Prior to June 30, 2003, employees qualified for similar level benefits after at least ten years of creditable service with the City. Health care and prescription drug coverage are provided by the City's health plan. The City pays the full cost of coverage for these benefits. A separate report was not issued for the plan.

Notes to the Financial Statements

Membership of the HCB Plan consisted of the following at December 31, 2015:

| | General Employees | Law Enforcement Officers |
|--|----------------------|-----------------------------|
| Retirees and dependents receiving benefits | 48 | 1 |
| Terminated plan members entitled to but not yet receiving benefits | - | - |
| Active plan members | <u>76</u> | <u>25</u> |
| Total | <u>124</u> | <u>26</u> |

Funding Policy. The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by City Council. The City does not provide a post-employment death benefit, except for a small amount available to law enforcement officers. The retiree may continue dependent coverage (and pay the full cost of this coverage) if enrolled in dependent coverage at the time of retirement. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current annual required contribution (ARC) rate is 17.68% of annual covered payroll. For the current year, the City contributed \$249,481. The City obtains healthcare coverage through private insurers. There were no contributions made by employees, except for dependent coverage. The City's obligation to contribute to the plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits:

| | |
|--|---------------------|
| Annual required contribution | \$ 720,125 |
| Interest on net OPEB obligation | 104,376 |
| Adjustment to annual required contribution | (99,711) |
| Annual OPEB cost (expense) | <u>724,790</u> |
| Contributions made | <u>(249,481)</u> |
| Increase (decrease) in net OPEB obligation | 475,309 |
| Net OPEB obligation, beginning of year | 2,609,395 |
| Net OPEB obligation, end of year | <u>\$ 3,084,704</u> |

Notes to the Financial Statements

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for June 30, 2016 were as follows:

3 Year Trend Information

| For Year Ended June 30 | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------------|---------------------|--|------------------------|
| 2016 | \$724,790 | 34.4% | \$3,084,704 |
| 2015 | \$702,975 | 33.0% | \$2,609,395 |
| 2014 | \$681,610 | 17.9% | \$2,138,691 |

Funding Status and Funding Progress. As of December 31, 2015, the most recent valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$9,415,109. The covered payroll (annual payroll of active employees covered by the plan) was \$4,655,352, and the ratio of the UAAL to the covered payroll was 202.2 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent (pre-Medicare) and 5.75 to 5.00 percent (post-Medicare). The investment rate included a 3.00 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015, was 30 years.

Except as stated above, the City does not provide any post employment benefits to retirees.

Notes to the Financial Statements

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources is the deferred amount for charges on refunding of debt.

| Source | Amount |
|--|-------------------|
| Contributions to pension plan in current year | \$ 395,212 |
| Pensions - changes in proportion and differences between employer contributions and proportionate share of contributions | 9,796 |
| Charge on refunding | 4,817 |
| Total | <u>\$ 409,825</u> |

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

| | |
|--|-------------------|
| Unearned Revenue | \$ 16,545 |
| Prepaid Taxes (General Fund) | 6,339 |
| Taxes receivable, less penalties (General Fund) | 235,751 |
| Pensions - difference between expected and actual experience | 116,643 |
| Pensions - Net difference between projected and actual earnings on pension plan investments | 141,276 |
| Pensions - changes in proportion and differences between employer contributions and proportionate share of contributions | 27,750 |
| | <u>\$ 544,304</u> |

3. Risk Management

The City 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 City participates in a self-funded risk-financing pool administered by the North Carolina League of Municipalities. Through this pool, the City has property and liability coverage. General liability, law enforcement liability and public officials liability coverage is limited to \$1,000,000 per occurrence; public employee scheduled bond is limited to \$100,000; public employee blanket bond is limited to \$50,000, automobile liability coverage is limited to \$1,000,000, and watercraft are limited to \$1,000,000 per occurrence. Real and personal property coverage is limited to \$63,978,451 and boiler and machinery coverage is limited to \$5,000,000.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The City has not been designated as being in a flood zone and thus carries no commercial flood insurance.

In accordance with G.S. 159-29, The City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000 each. The City Manager and the remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

Notes to the Financial Statements

4. Claims, Judgments, and Contingent Liabilities

At June 30, 2016, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

5. Long-Term Obligations

a. Installment Purchase

In April, 2006, the City refinanced the installment purchase contract to finance the Cherry Lane Pump Station. The contract requires principal payments of \$106,667 semi-annually beginning in the fiscal year 2006 with an interest rate of 3.69 percent. The original amount of the loan was \$3,200,000, with an outstanding balance of \$1,066,666.

In November, 2001, the City entered into a clean water state revolving loan agreement with the State of North Carolina to finance the waste water treatment plant renovation. The contract requires principal payments of \$433,685 annually beginning in fiscal year 2003 with an interest rate of 2.55 percent. The original amount of the loan was \$6,505,269, with an outstanding balance of \$433,685.

In June, 2010, the City entered into a Water Pollution Control Revolving loan agreement for Sewer improvements. The contract requires principal payments of \$19,795 annually on the indebtedness beginning May 1, 2011. The interest rate as established under this program is zero percent. The original amount of the loan was \$395,896, with an outstanding balance of \$277,127.

In November, 2010, the City entered into a Water Pollution Control Revolving loan agreement for Water improvements. The contract requires principal payments of \$3,672 annually on the indebtedness beginning May 1, 2012. The interest rate as established under this program is zero percent. The original amount of the loan was \$73,430, with an outstanding balance of \$55,073.

On May 19, 2014, the City entered into an installment purchase contract to finance the water treatment plant improvements and Project Swordfish Capital Project. The financing contract requires principal payments in varying amounts beginning in the fiscal year 2015 with an interest rate of 2.60 percent. The original amount of the loan was \$5,925,000, with an outstanding balance of \$4,665,000.

b. General Obligation Indebtedness

There were no bonds payable at June 30, 2016.

Notes to the Financial Statements

Annual debt service payments of the installment purchases as of June 30, 2016, including \$1,019,042 of interest, are as follows:

| Fiscal Year | General Obligation Bonds | | Other Long-Term Indebtedness | | Total Debt Due | |
|-------------|-----------------------------|-------------|------------------------------|---------------------|--------------------|--------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2017 | \$ - | \$ - | 950,485 | 166,101 | 950,485 | \$ 166,101 |
| 2018 | - | - | 524,799 | 139,786 | 524,799 | 139,786 |
| 2019 | - | - | 531,799 | 124,335 | 531,799 | 124,335 |
| 2020 | - | - | 539,799 | 108,689 | 539,799 | 108,689 |
| 2021 | - | - | 547,799 | 92,835 | 547,799 | 92,835 |
| 2022-2026 | | | 1,796,330 | 307,567 | 1,796,330 | 307,567 |
| 2027- | - | - | 1,606,452 | 79,729 | 1,606,452 | 79,729 |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,497,463</u> | <u>\$ 1,019,042</u> | <u>\$6,497,463</u> | <u>\$1,019,042</u> |

c. Changes in Long-Term Liabilities

| | Balance July 1, 2015 - Restated | Increases | Decreases | Balance June 30, 2016 | Current Portion of Balance |
|---|---------------------------------------|---------------------|---------------------|--------------------------|----------------------------------|
| Governmental activities: | | | | | |
| Compensated absences | \$ 476,805 | \$ 291,948 | \$ 224,205 | \$ 544,548 | \$ 224,205 |
| Other postemployment benefits | 1,949,454 | 368,922 | - | 2,318,376 | - |
| Net pension liability (LGERS) | - | 387,063 | - | 387,063 | - |
| Net pension liability (LEO) | 1,291,986 | 45,083 | - | 1,337,069 | - |
| Governmental activity long-term liabilities | <u>\$ 3,718,245</u> | <u>\$ 1,093,016</u> | <u>\$ 224,205</u> | <u>\$ 4,587,056</u> | <u>\$ 224,205</u> |
| Business-type activities: | | | | | |
| Notes payable | \$ 7,916,670 | \$ - | \$ 1,419,207 | \$ 6,497,463 | \$ 950,396 |
| General obligation bonds | - | - | - | - | - |
| Net pension liability (LGERS) | - | 109,172 | - | 109,172 | - |
| Other postemployment benefits | 659,941 | 106,386 | - | 766,327 | - |
| Compensated absences | 126,977 | 27,005 | 21,350 | 132,632 | 21,350 |
| Business-type activity Long-term liabilities | <u>\$ 8,703,588</u> | <u>\$ 242,563</u> | <u>\$ 1,440,557</u> | <u>\$ 7,505,594</u> | <u>\$ 971,746</u> |

Compensated absences and the other postemployment benefits for governmental activities have typically been liquidated in the General Fund.

At June 30, 2016, the City of Graham had a legal debt margin of \$77,373,419.

C. Interfund Balances and Activity

There are no amounts due to or from the City's different funds as of June 30, 2016.

Notes to the Financial Statements

Transfers to / from other funds at June 30, 2016, consist of the following:

| | |
|---|---------------------|
| From the General fund to the Capital Projects | \$ 1,416,666 |
| From the Eastway Lane Capital Project | 4,690 |
| From the Water and Sewer Fund to the General fund | 13,234 |
| From the Water and Sewer Fund to the Capital Projects | 175,000 |
| Total | <u>\$ 1,609,590</u> |

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

During the 2016 fiscal year, the City made a transfer from the General Fund of \$416,666 to the Project Quarter Capital Project, and \$1,000,000 to the Jim Minor Road Park Capital Project as per the terms of the project ordinances. The Eastway Lane project has now closed and the remaining fund balance was transferred to the General Fund. The Water and Sewer Fund repaid expenditures paid for by the General Fund. The Water and Sewer Fund also made a transfer of \$175,000 to the Boyd Creek Capital Project as per the project ordinance.

D. On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$8,600, for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2016. Under State law the local board of trustees for the Fund receives an amount each year which the board may use at its own discretion for eligible firemen or their departments.

E. Net Investment in Capital Assets

| | Governmental | Business-type |
|----------------------------------|----------------------|----------------------|
| Capital assets | \$ 17,382,764 | \$ 43,463,014 |
| less: long-term debt | - | (6,497,463) |
| add: unexpended debt proceeds | - | 815,180 |
| Net investment in capital assets | <u>\$ 17,382,764</u> | <u>\$ 37,780,731</u> |

F. Fund Balance

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

| | |
|--|---------------------|
| Total fund balance - General Fund | \$ 8,594,592 |
| Less: Stabilization by State Statute | (2,176,787) |
| Appropriated Fund Balance in 2016 Budget | (892,000) |
| Working Capital / Fund Balance Policy | (3,424,148) |
| Remaining Fund Balance | <u>\$ 2,101,657</u> |

Notes to the Financial Statements

The City of Graham has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 30% 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 and amounted to \$11,768, \$20,586, and \$8,757 in the General Fund, Water and Sewer Fund, and Garage Fund, respectively.

IV. Jointly Governed Organization

The City, in conjunction with twelve counties and sixty other municipalities, established the Piedmont Triad Regional Council (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member, and one alternate if they so desire, to the Council's governing board. The City paid membership fees of \$5,988 and \$7,473 respectively, to the Council during the fiscal years ended June 30, 2016 and June 30, 2015.

V. Joint Ventures

The City, in conjunction with the City's of Burlington and Mebane, participates in the Alamance Municipal ABC Board. Each participating government appoints board members. The ABC Board is a joint venture established to facilitate control over alcoholic beverages within the Cities. The ABC Board has been in existence for over 40 years and is self-sustaining. The City has an ongoing financial responsibility for the ABC Board because it and the City's of Burlington and Mebane are legally obligated under the intergovernmental agreement that created the ABC Board to honor any deficiencies in the event that proceeds from other default remedies are insufficient. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2016. Complete financial statements for the ABC Board can be obtained from the administrative offices at 603 W. Harden Street, Graham, North Carolina, 27253.

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2016, the City reported revenues and expenditures for the payments of \$8,400 made through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2016. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

Notes to the Financial Statements

VI. Related Organization

The five-member board of the City of Graham Housing Authority is appointed by the City Council of the City of Graham. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Graham is also disclosed as a related organization in the notes to the financial statements for the Graham Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Authority's offices at 109 East Hill Street, Graham, North Carolina 27253.

VII. Joint Operation

The City of Graham and the City of Mebane are co-owners and operators of a water supply reservoir and water treatment plant per an Intergovernmental Watershed Agreement. Since June 22, 1973, the ownership of the assets and improvements of the joint undertaking remained at 66.7% interest for the City of Graham and 33.3% interest for the City of Mebane. Due to relative growths of the populations in units of government, the parties agreed as of February 3, 2014 to adjust the capacity, treatment and operational costs, improvements, upgrades, and repairs to be borne equally by the units. At this time, the City of Mebane also agreed to pay to the City of Graham an equalizing sum of \$2,548,070 for their capital interest. The amount is to be paid in twenty annual installments of \$127,403 with the first payment due July 31, 2014. No interest is included in the agreement. The balance of the receivable as of June 30, 2106 was \$2,293,264.

VIII. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The City 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 moneys 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 moneys.

IV. Significant Effects of Subsequent Events

Subsequent Events

In accordance with ASC 855, the City evaluated subsequent events through October 31, 2016, the date the financial statements were available to be issued. Except as noted above, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

X. Prior Period Adjustment

During the year ended June 30, 2016, the City determined that the prior year net pension asset was overstated for the Local Government Employees' Retirement System (LGERS) Fund. Therefore, net position for the governmental and business-type activities has been increased by \$32,108 and \$9,056, respectively. The governmental beginning net position was also decreased to recognize the LEO pension obligation in the amount of \$1,291,986.

City of Graham
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
June 30, 2016

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) -Projected Unit Credit (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a % of Covered Payroll ((b-a)/c) |
|--------------------------------|-------------------------------------|---|------------------------------------|--------------------------|------------------------------------|---|
| 12/31/2015 | \$ - | \$ 806,147 | \$ 806,147 | 0% | \$ 2,067,710 | 38.99% |

City of Graham
Other postemployment Benefits
Required Supplementary Information
June 30, 2016

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) -Projected Unit Credit (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a % of Covered Payroll ((b-a)/c) |
|--------------------------------|-------------------------------------|---|------------------------------------|--------------------------|------------------------------------|---|
| 12/31/2009 | \$ - | \$ 7,472,828 | \$ 7,472,828 | 0% | \$ 5,049,712 | 147.99% |
| 12/31/2012 | \$ - | \$ 8,036,979 | \$ 8,036,979 | 0% | \$ 5,178,182 | 155.21% |
| 12/31/2015 | \$ - | \$ 9,415,109 | \$ 9,415,109 | 0% | \$ 4,655,352 | 202.24% |

Schedule of Employer Contributions

| Year Ended June 30 | Annual Required Contribution | Percentage Contributed |
|-----------------------|---------------------------------|---------------------------|
| 2016 | \$ 724,790 | 34.4% |
| 2015 | \$ 702,975 | 33.0% |
| 2014 | \$ 681,610 | 17.9% |
| 2013 | \$ 640,414 | 34.7% |
| 2012 | \$ 615,610 | 44.2% |
| 2011 | \$ 591,704 | 44.1% |
| 2010 | \$ 589,037 | 17.5% |

Notes to the Required Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

| | |
|-------------------------------|---------------------------|
| Valuation Date | 12/31/2015 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level Dollar Amount, Open |
| Remaining amortization period | 30 years |
| Asset valuation method | Market Value of Assets |
| Actuarial assumptions: | |
| Investment rate of return* | 4.00% |
| Medical cost trend | |
| Pre-Medicare trend rate | 7.75% - 5.00% |
| Post-Medicare trend rate | 5.75% - 5.00% |
| Year of Ultimate trend rate | 2022 |
| * Includes inflation at | 3.00% |

City of Graham, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Three Fiscal Years *

Local Government Employees' Retirement System

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------|--------------|--------------|
| Graham's proportion of the net pension liability (asset) (%) | 0.11% | (0.11%) | 0.10% |
| Graham's proportion of the net pension liability (asset) (\$) | \$ 496,232 | \$ (641,762) | \$ 1,252,394 |
| Graham's covered-employee payroll | \$ 5,910,245 | \$ 5,842,839 | \$ 5,419,403 |
| Graham's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 8.40% | (10.98%) | 23.11% |
| Plan fiduciary net position as a percentage of the total pension liability** | 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.

City of Graham, North Carolina
Schedule of Contributions
Required Supplementary Information
Last Three Fiscal Years

Local Government Employees' Retirement System

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|----------------|----------------|----------------|
| Contractually required contribution | 395,212 | \$399,955 | \$386,609 |
| Contributions in relation to the contractually required contribution | <u>395,212</u> | <u>399,955</u> | <u>386,609</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Graham's covered-employee payroll | \$ 5,910,245 | \$ 5,842,839 | \$ 5,419,403 |
| payroll | 6.69% | 6.85% | 7.13% |

City of Graham, North Carolina
Schedule of Proportionate Share of Net Pension Liability
Required Supplementary Information
Last Fiscal Year *

Firefighters' and Rescue Squad Workers' Pension

| | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|
| Graham's proportionate share of the net pension liability (%) | 0.00% | 0.00% |
| Graham's proportionate share of the net pension liability (\$) \$ | - | - |
| State's proportionate share of the net pension liability associated with City of Graham | <u>26,974</u> | <u>21,417</u> |
| Total | <u>\$ 26,974</u> | <u>\$ 21,417</u> |
| Graham's covered-employee payroll | \$ 495,512 | \$ 480,564 |
| Graham's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 5.44% | 4.46% |
| Plan fiduciary net position as a percentage of the total pension liability | 91.40% | 93.42% |

* The amounts presented are for the prior fiscal year.

**City of Graham, North Carolina
General Fund**

**Statement 1
1 of 12**

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2016**

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2015

| | 2016 | | Variance Positive (Negative) | 2015 |
|-----------------------------------|--------------|--------------|------------------------------------|--------------|
| | Budget | Actual | | Actual |
| Revenues: | | | | |
| Ad valorem taxes | | | | |
| Current taxes | \$ 4,098,126 | \$ 4,164,622 | \$ 66,496 | \$ 4,104,511 |
| Prior year taxes | 45,000 | 95,789 | 50,789 | 154,979 |
| Vehicle taxes | 367,500 | 480,813 | 113,313 | 466,931 |
| Tax cost and interest | 23,000 | 30,635 | 7,635 | 33,485 |
| Total | 4,533,626 | 4,771,859 | 238,233 | 4,759,906 |
| Other taxes and licenses | | | | |
| Privilege license | 100 | (86) | (186) | 657 |
| Total | 100 | (86) | (186) | 657 |
| Unrestricted intergovernmental | | | | |
| Payment in lieu of taxes | 25,000 | 29,103 | 4,103 | 26,436 |
| Sidewalk payment in lieu of funds | 65,000 | - | (65,000) | - |
| Local option sales tax | 2,850,000 | 3,311,880 | 461,880 | 3,061,115 |
| Telecommunications sales tax | - | 250,208 | 250,208 | 250,208 |
| Piped natural gas sales tax | - | 179,673 | 179,673 | 179,673 |
| Utilities sales tax | 1,000,000 | 447,518 | (552,482) | 490,934 |
| Video franchise fee | - | 100,920 | 100,920 | 100,920 |
| Beer and wine tax | 61,000 | 62,932 | 1,932 | 67,625 |
| ABC profit distribution | 70,000 | 49,713 | (20,287) | 45,911 |
| Solid waste disposal tax | 9,000 | 9,272 | 272 | 9,150 |
| Storm water fee | 60,000 | 61,779 | 1,779 | 61,482 |
| Total | 4,140,000 | 4,502,998 | 362,998 | 4,293,454 |
| Restricted intergovernmental | | | | |
| Powell Bill allocation | 393,950 | 393,952 | 2 | 394,067 |
| School Resource Officer | 90,000 | 111,303 | 21,303 | 111,303 |
| Federal drug monies | 58,000 | 9,822 | (48,178) | 9,925 |
| State drug monies | 9,100 | 3,564 | (5,536) | 15,089 |
| Community Transformation grants | 100 | - | (100) | - |
| NCDOT grant | 100,000 | 100,000 | - | - |
| FEMA Revenue | 100 | - | (100) | 18,987 |
| Rural ED division grant | 400,000 | 400,000 | - | - |
| ABC revenue for law enforcement | - | 10,625 | 10,625 | 9,703 |
| Peak resources | 33,500 | 33,500 | - | - |
| On-behalf of payments - Fire | - | 18,912 | 18,912 | 19,821 |
| Total | 1,084,750 | 1,081,678 | (3,072) | 578,895 |

**City of Graham, North Carolina
General Fund**

**Statement 1
2 of 12**

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

For The Fiscal Year Ended June 30, 2016

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2015

| | 2016 | | | 2015 |
|--------------------------------------|------------|------------|------------------------------------|------------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Permits and fees | | | | |
| Development fees | \$ 1,000 | \$ - | \$ (1,000) | \$ - |
| Building permits and inspection fees | 80,000 | 287,384 | 207,384 | 183,190 |
| Total | 81,000 | 287,384 | 206,384 | 183,190 |
| Sales and services | | | | |
| Refuse collection fees | 288,000 | 321,202 | 33,202 | 270,969 |
| Cemetery fees | 40,000 | 49,910 | 9,910 | 53,315 |
| Concession income | 11,500 | 9,580 | (1,920) | 10,881 |
| Recreation Department fees | 92,000 | 108,063 | 16,063 | 115,996 |
| Recreation - Graham-Mebane Lake | 92,000 | 92,994 | 994 | 75,745 |
| Lake penalties and fines | 100 | - | (100) | 25 |
| Lake shelter rentals | 100 | 200 | 100 | 300 |
| Rent on city properties | 28,000 | 50,776 | 22,776 | 30,600 |
| Total | 551,700 | 632,725 | 81,025 | 557,831 |
| Investment earnings | | | | |
| Interest on investments | 25,000 | 35,721 | 10,721 | 18,725 |
| Federal drug monies - interest | - | (54) | (54) | (52) |
| State drug monies - interest | - | 4 | 4 | 42 |
| Total | 25,000 | 35,671 | 10,671 | 18,715 |
| Miscellaneous | | | | |
| Other | 40,100 | 44,142 | 4,042 | 187,040 |
| ABC revenue | - | 29,551 | 29,551 | 27,688 |
| Recycling/surplus proceeds | 15,100 | 15,145 | 45 | 67,369 |
| Christmas | 15,000 | 17,274 | 2,274 | 15,617 |
| Recreation donations | 5,100 | 5,252 | 152 | 6,918 |
| Court costs and fines | 15,000 | 12,431 | (2,569) | 8,379 |
| 5K run donation | 1,000 | 1,100 | 100 | 2,340 |
| Concert series donation | 1,000 | 3,008 | 2,008 | 5,950 |
| Sports Hall of Fame | - | - | - | 2,840 |
| NC Tennis Association grant | 750 | 750 | - | 750 |
| Alarms | - | 2,750 | 2,750 | 3,725 |
| Insurance proceeds | 1,000 | - | (1,000) | - |
| Total | 94,050 | 131,403 | 37,353 | 328,616 |
| Total revenues | 10,510,226 | 11,443,632 | 933,406 | 10,721,264 |

**City of Graham, North Carolina
General Fund**

**Statement 1
3 of 12**

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

For The Fiscal Year Ended June 30, 2016

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2015

| | 2016 | | | 2015 |
|------------------------------------|-----------|-----------|------------------------------------|-----------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Expenditures: | | | | |
| General government | | | | |
| Governing Body | | | | |
| Salaries | \$ 31,700 | \$ 30,760 | \$ 940 | \$ 30,760 |
| Professional services | 8,900 | 6,984 | 1,916 | 15,969 |
| Travel | 1,800 | 1,800 | - | 1,968 |
| Supplies and materials | 500 | 54 | 446 | 3 |
| FICA | 2,500 | 2,486 | 14 | 2,353 |
| Miscellaneous | 7,800 | 8,255 | (455) | 2,977 |
| Total | 53,200 | 50,339 | 2,861 | 54,030 |
| Administration | | | | |
| Salaries | 313,000 | 267,827 | 45,173 | 240,024 |
| Professional services | 120,000 | 78,213 | 41,787 | 79,103 |
| FICA | 23,700 | 20,362 | 3,338 | 17,011 |
| Group insurance | 216,300 | 180,417 | 35,883 | 193,422 |
| Retirement | 20,700 | 18,188 | 2,512 | 15,216 |
| Unemployment expense | 900 | - | 900 | 16 |
| Longevity pay | 7,600 | 7,355 | 245 | 4,450 |
| Telephone and postage | 5,000 | 5,613 | (613) | 4,630 |
| Vehicle tax administration fee | - | 16,037 | (16,037) | 16,337 |
| Travel | 4,000 | 3,811 | 189 | 2,273 |
| Maintenance and repairs - vehicles | 500 | 149 | 351 | - |
| Vehicle and equipment fuel | 100 | 16 | 84 | - |
| Advertising | 1,000 | 247 | 753 | 281 |
| Dues and subscriptions | 12,000 | 10,706 | 1,294 | 14,454 |
| Insurance and bonds | 260,000 | 225,628 | 34,372 | 247,979 |
| Miscellaneous | 27,000 | 20,268 | 6,732 | 24,682 |
| Animal Shelter | 89,800 | 89,761 | 39 | 83,199 |
| Small equipment purchases | 1,500 | 1,480 | 20 | 330 |
| Ice Storm | - | - | - | 14,872 |
| Arts Council | - | - | - | 10,000 |
| Peak resources grant project | 433,500 | 433,500 | - | - |
| Capital outlay - improvements | 30,000 | - | 30,000 | - |
| Contracted services | 41,500 | 45,233 | (3,733) | 46,469 |
| ACTA | 7,600 | 7,600 | - | 16,746 |
| NCCP | - | - | - | 100,000 |

**City of Graham, North Carolina
General Fund**

**Statement 1
4 of 12**

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2016**

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2015

| | 2016 | | Variance | 2015 |
|-------------------------------------|-----------|-----------|------------------------|-----------|
| | Budget | Actual | Positive (Negative) | Actual |
| Supplemental retirement | \$ 15,500 | \$ 10,392 | \$ 5,108 | \$ 10,523 |
| Supplies | 2,500 | 1,072 | 1,428 | 1,161 |
| Facade grant | 10,000 | 10,000 | - | 15,631 |
| Economic Development | 20,000 | 20,000 | - | 7,500 |
| Total | 1,663,700 | 1,473,875 | 189,825 | 1,166,309 |
| Information Technologies | | | | |
| Salaries | 106,000 | 105,749 | 251 | 113,482 |
| FICA | 8,100 | 7,472 | 628 | 8,853 |
| Group insurance | 12,200 | 12,189 | 11 | 12,210 |
| Unemployment expense | 500 | 15 | 485 | - |
| Retirement | 7,100 | 7,084 | 16 | 8,111 |
| Longevity pay | 500 | 451 | 49 | 1,542 |
| Telephone and postage | 2,000 | 1,449 | 551 | 1,795 |
| Travel | 1,200 | 693 | 507 | 861 |
| Maintenance and repairs - equipment | 800 | 675 | 125 | - |
| Supplies | 650 | 647 | 3 | 546 |
| Contracted services | 16,000 | 13,016 | 2,984 | 18,105 |
| Dues and subscriptions | 300 | 220 | 80 | - |
| Miscellaneous | 1,200 | 1,280 | (80) | 608 |
| Capital outlay - equipment | 70,200 | 62,344 | 7,856 | 25,275 |
| Software maintenance | 12,500 | 12,406 | 94 | 1,834 |
| Small equipment purchase | 32,250 | 37,845 | (5,595) | 21,063 |
| Supplemental retirement | 5,300 | 4,102 | 1,198 | 5,627 |
| Total | 276,800 | 267,637 | 9,163 | 219,912 |
| Finance | | | | |
| Salaries | 189,000 | 188,580 | 420 | 173,336 |
| FICA | 14,500 | 13,772 | 728 | 12,790 |
| Group insurance | 19,500 | 18,210 | 1,290 | 18,379 |
| Unemployment expense | 800 | - | 800 | - |
| Retirement | 12,500 | 12,493 | 7 | 12,818 |
| Longevity pay | 9,700 | 9,380 | 320 | 9,196 |
| Bank Charges | 27,000 | 21,889 | 5,111 | 39,189 |
| Telephone and postage | 7,500 | 7,577 | (77) | 5,749 |
| Travel | 2,000 | 156 | 1,844 | 253 |
| Advertising | 2,000 | 1,199 | 801 | 1,270 |
| Supplies | 8,500 | 6,741 | 1,759 | 4,958 |
| Contracted services | 8,000 | 3,704 | 4,296 | 9,365 |

**City of Graham, North Carolina
General Fund**

**Statement 1
5 of 12**

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2016**

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2015

| | 2016 | | | 2015 |
|-------------------------------------|---------|---------|------------------------------------|---------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Dues and subscriptions | \$ 100 | \$ 242 | \$ (142) | \$ 258 |
| Miscellaneous | 500 | 31 | 469 | 86 |
| Audit | 55,000 | 36,390 | 18,610 | 41,275 |
| Software maintenance | 25,000 | 23,152 | 1,848 | 23,645 |
| Maintenance & repairs-equipment | 500 | - | 500 | - |
| Small equipment purchase | 500 | - | 500 | 420 |
| Supplemental retirement | 9,500 | 6,372 | 3,128 | 8,414 |
| Total | 392,100 | 349,888 | 42,212 | 361,401 |
| Public buildings | | | | |
| Salaries | 9,000 | 7,834 | 1,166 | 8,265 |
| FICA | 900 | 586 | 314 | 294 |
| Professional Services | - | - | - | 62 |
| Unemployment expense | 200 | 109 | 91 | 20 |
| Telephone and postage | 400 | - | 400 | 24 |
| Utilities | 48,000 | 43,827 | 4,173 | 53,791 |
| Maintenance and repairs | 56,000 | 61,504 | (5,504) | 30,827 |
| Vehicle and equipment fuel | 1,000 | 82 | 918 | 107 |
| Supplies and materials | 11,000 | 13,557 | (2,557) | 10,859 |
| Uniforms | 500 | 466 | 34 | 543 |
| Small equipment purchase | 550 | 548 | 2 | 3,713 |
| Capital outlay - other improvements | 1,950 | 2,226 | (276) | 12,074 |
| Total | 129,500 | 130,739 | (1,239) | 120,579 |
| City garage and warehouse | | | | |
| Salaries | 41,800 | 41,754 | 46 | 40,353 |
| FICA | 3,200 | 3,280 | (80) | 3,151 |
| Group insurance | 6,100 | 6,074 | 26 | 6,126 |
| Unemployment expense | 100 | - | 100 | 50 |
| Retirement | 2,800 | 2,947 | (147) | 3,019 |
| Longevity pay | 2,600 | 2,431 | 169 | 2,384 |
| Telephone and postage | 600 | 480 | 120 | 420 |
| Utilities | 4,700 | 5,346 | (646) | 4,782 |
| Maintenance and repairs - building | 7,000 | 2,684 | 4,316 | 492 |
| Maintenance and repairs - equipment | 16,350 | 4,269 | 12,081 | 6,914 |

**City of Graham, North Carolina
General Fund**

**Statement 1
6 of 12**

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2016**

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2015

| | 2016 | | | 2015 |
|-------------------------------------|-----------|-----------|------------------------------------|-----------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Supplies | \$ 1,200 | \$ 328 | \$ 872 | \$ 288 |
| Miscellaneous | 4,200 | 2,152 | 2,048 | 2,140 |
| Small equipment purchases | 1,000 | 304 | 696 | 422 |
| Capital outlay - equipment | - | 11,333 | (11,333) | - |
| Supplemental retirement | 2,100 | 2,088 | 12 | 1,819 |
| Total | 93,750 | 85,470 | 8,280 | 72,360 |
| Total general government | 2,609,050 | 2,357,948 | 251,102 | 1,994,591 |
| Public safety | | | | |
| Police department | | | | |
| Salaries | 1,975,500 | 1,926,977 | 48,523 | 1,906,032 |
| Professional services | 125,000 | 124,365 | 635 | 114,201 |
| FICA | 153,000 | 146,319 | 6,681 | 146,440 |
| Group insurance | 242,000 | 222,081 | 19,919 | 229,168 |
| Unemployment expense | 9,200 | 1,089 | 8,111 | 684 |
| Retirement | 140,100 | 135,699 | 4,401 | 138,507 |
| Longevity pay | 66,000 | 51,513 | 14,487 | 55,851 |
| Training | 25,000 | 19,154 | 5,846 | 21,699 |
| Telephone and postage | 46,000 | 51,519 | (5,519) | 42,529 |
| Utilities | 31,000 | 20,120 | 10,880 | 26,507 |
| Travel | 15,000 | 15,422 | (422) | 9,685 |
| Vehicle and equipment fuel | 85,000 | 45,704 | 39,296 | 65,683 |
| Maintenance and repairs - building | 8,800 | 8,680 | 120 | 17,393 |
| Maintenance and repairs - equipment | 10,000 | 10,364 | (364) | 2,523 |
| Maintenance and repairs - vehicles | 58,000 | 63,955 | (5,955) | 66,382 |
| Radio maintenance | 6,500 | 2,286 | 4,214 | 657 |
| Drug buy | 1,000 | - | 1,000 | - |
| Supplies and materials | 15,000 | 14,681 | 319 | 13,773 |
| Crime prevention | 4,000 | 2,864 | 1,136 | 2,903 |
| K-9 expense | 3,200 | 3,183 | 17 | 338 |
| Uniforms | 27,000 | 20,616 | 6,384 | 23,408 |
| Contracted services | 48,000 | 35,095 | 12,905 | 42,682 |
| Dues and subscriptions | 2,500 | 595 | 1,905 | 3,071 |
| Small equipment purchase | 54,300 | 12,195 | 42,105 | 34,431 |
| Miscellaneous | 9,700 | 15,361 | (5,661) | 15,548 |
| Capital outlay - equipment | 97,500 | 133,390 | (35,890) | 98,983 |
| Software maintenance and changes | 49,400 | 28,834 | 20,566 | 2,742 |
| Supplemental retirement | 96,000 | 85,372 | 10,628 | 88,486 |
| Total | 3,403,700 | 3,197,433 | 206,267 | 3,170,306 |

**City of Graham, North Carolina
General Fund**

**Statement 1
7 of 12**

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2016**

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2015

| | 2016 | | | 2015 |
|--------------------------------------|----------------|----------------|------------------------------------|----------------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Fire department | | | | |
| Salaries | \$ 496,000 | \$ 495,512 | \$ 488 | \$ 483,407 |
| FICA | 37,950 | 39,536 | (1,586) | 39,212 |
| Group insurance | 55,000 | 54,667 | 333 | 55,156 |
| Unemployment expense | 400 | 360 | 40 | 179 |
| Retirement | 32,000 | 31,113 | 887 | 31,904 |
| Longevity pay | 19,300 | 19,251 | 49 | 18,874 |
| Training | 3,000 | 1,612 | 1,388 | 1,391 |
| Telephone and postage | 6,400 | 7,257 | (857) | 5,500 |
| Travel | 2,000 | 1,681 | 319 | 1,277 |
| Maintenance and repairs - equipment | 800 | 2,293 | (1,493) | 2,794 |
| Maintenance and repairs - vehicles | 14,600 | 8,573 | 6,027 | 12,339 |
| Radio maintenance | 5,400 | 809 | 4,591 | 1,974 |
| Firemen's fees | 31,000 | 26,541 | 4,459 | 25,983 |
| Firemen's pension fund | 22,250 | 22,000 | 250 | 22,360 |
| Vehicle and equipment fuel | 10,000 | 4,289 | 5,711 | 6,679 |
| Supplies and materials | 4,500 | 3,287 | 1,213 | 2,918 |
| Uniforms | 15,000 | 10,049 | 4,951 | 9,458 |
| Hazmat Equipment | 1,800 | 296 | 1,504 | 586 |
| Insurance - Firemen's Fraternal Fund | 2,100 | 1,680 | 420 | 1,760 |
| Dues and subscriptions | 2,500 | 1,675 | 825 | 1,852 |
| Miscellaneous fire prevention | 1,000 | 121 | 879 | 1,649 |
| Health and safety | 3,500 | 40 | 3,460 | 1,114 |
| Miscellaneous | 2,000 | 1,541 | 459 | 666 |
| Small equipment purchase | 8,000 | 1,905 | 6,095 | 5,538 |
| Capital outlay - equipment | - | - | - | 8,660 |
| Capital outlay - improvements | 800 | - | 800 | - |
| Supplemental retirement | 22,500 | 19,319 | 3,181 | 21,556 |
| Police reserves | 18,200 | 16,107 | 2,093 | 3,196 |
| On-behalf payments | - | 18,912 | (18,912) | 19,821 |
| Total | 818,000 | 790,426 | 27,574 | 787,803 |
| Inspection - planning/zoning | | | | |
| Salaries | 247,600 | 238,448 | 9,152 | 210,685 |
| Professional services | 10,000 | 468 | 9,532 | 30,847 |
| FICA | 19,300 | 18,077 | 1,223 | 16,152 |
| Group insurance | 30,400 | 29,859 | 541 | 22,742 |
| Unemployment expense | 1,200 | 263 | 937 | 72 |
| Retirement | 16,200 | 15,993 | 207 | 13,760 |
| Longevity pay | 6,000 | 5,231 | 769 | 4,714 |

**City of Graham, North Carolina
General Fund**

**Statement 1
8 of 12**

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2016**

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2015

| | 2016 | | | 2015 |
|-------------------------------------|-----------|-----------|------------------------------------|-----------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Telephone and postage | \$ 6,300 | \$ 7,325 | \$ (1,025) | \$ 6,704 |
| Travel | 5,000 | 5,580 | (580) | 4,726 |
| Maintenance and repairs - vehicles | 2,000 | 1,354 | 646 | 3,905 |
| Advertising | 2,200 | 1,055 | 1,145 | 1,624 |
| Vehicle and equipment fuel | 3,000 | 2,009 | 991 | 2,267 |
| Dues and subscriptions | 2,000 | 1,604 | 396 | 1,032 |
| Small equipment purchases | 3,000 | 1,494 | 1,506 | 5,315 |
| Supplies and materials | 4,500 | 2,537 | 1,963 | 2,028 |
| Uniforms | 1,500 | 1,520 | (20) | 1,589 |
| Miscellaneous | 3,100 | 2,047 | 1,053 | 3,582 |
| Software maintenance and changes | 6,500 | 5,200 | 1,300 | 3,368 |
| Capital outlay - equipment | - | - | - | 19,224 |
| Supplemental retirement | 12,000 | 8,848 | 3,152 | 8,465 |
| Total | 381,800 | 348,912 | 32,888 | 362,801 |
| Total public safety | 4,603,500 | 4,336,771 | 266,729 | 4,320,910 |
| Transportation | | | | |
| Traffic engineering | | | | |
| Utilities | 5,100 | 2,521 | 2,579 | 2,735 |
| Supplies and materials | 1,000 | - | 1,000 | 90 |
| Contracted services | 24,000 | 30,000 | (6,000) | 18,000 |
| Total | 30,100 | 32,521 | (2,421) | 20,825 |
| Street | | | | |
| Salaries | 368,000 | 367,676 | 324 | 336,264 |
| Professional services | 30,000 | 19,244 | 10,756 | 31,984 |
| Storm water | 47,591 | 41,642 | 5,949 | 16,461 |
| FICA | 29,200 | 27,725 | 1,475 | 25,729 |
| Group insurance | 59,600 | 59,458 | 142 | 52,520 |
| Unemployment expense | 300 | 264 | 36 | 320 |
| Retirement | 24,600 | 25,168 | (568) | 23,893 |
| Longevity pay | 9,300 | 9,275 | 25 | 9,665 |
| Telephone and postage | 4,700 | 4,894 | (194) | 3,466 |
| Utilities | 3,000 | 3,203 | (203) | 3,015 |
| Travel | 1,600 | 1,571 | 29 | 690 |
| Maintenance and repairs - buildings | 3,500 | 2,417 | 1,083 | 520 |
| Maintenance and repairs - equipment | 9,123 | 9,123 | - | 15 |
| Maintenance and repairs - vehicles | 70,000 | 43,116 | 26,884 | 62,747 |
| Radio maintenance | 610 | 551 | 59 | 500 |
| Vehicle and equipment fuel | 29,100 | 15,398 | 13,702 | 22,918 |
| Supplies and materials | 18,000 | 12,486 | 5,514 | 10,326 |
| Traffic control | 29,863 | 30,399 | (536) | 5,476 |

**City of Graham, North Carolina
General Fund**

**Statement 1
9 of 12**

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2016**

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2015

| | 2016 | | | 2015 |
|-------------------------------------|------------------|------------------|------------------------------------|------------------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Uniforms | \$ 9,000 | \$ 8,077 | \$ 923 | \$ 8,878 |
| Road repair materials | 21,751 | 21,750 | 1 | 6,802 |
| Sidewalk repairs | 13,892 | 13,892 | - | - |
| Snow and ice removal | 26,836 | 26,835 | 1 | 16,489 |
| Storm sewers | 13,249 | 9,822 | 3,427 | 36,056 |
| Street resurfacing | 338,100 | 270,635 | 67,465 | 223,467 |
| Right of ways | 6,460 | 8,213 | (1,753) | 18,465 |
| Dues and subscriptions | 1,905 | 1,933 | (28) | 2,134 |
| Miscellaneous | 3,300 | 3,320 | (20) | 1,560 |
| Contracted services | 2,000 | 500 | 1,500 | 471 |
| Small equipment purchases | - | 783 | (783) | 18,050 |
| Capital outlay - other improvements | 27,000 | 90,542 | (63,542) | 60,970 |
| Capital outlay - equipment | 270,711 | 250,912 | 19,799 | 56,387 |
| Supplemental retirement | 18,500 | 15,259 | 3,241 | 16,030 |
| Riverwalk - improvements | - | - | - | 127,967 |
| Elm Street sidewalk | 165,000 | 152,688 | 12,312 | - |
| Street improvements | 10,735 | 10,735 | - | 2,911 |
| Total | 1,666,526 | 1,559,506 | 107,020 | 1,203,146 |
| Street lighting | | | | |
| Utilities | 113,850 | 111,037 | 2,813 | 113,746 |
| Contracted services | 2,150 | 2,124 | 26 | 3,099 |
| Total | 116,000 | 113,161 | 2,839 | 116,845 |
| Total transportation | 1,812,626 | 1,705,188 | 107,438 | 1,340,816 |
| Environmental protection | | | | |
| Sanitation | | | | |
| Salaries | 162,000 | 161,892 | 108 | 158,685 |
| FICA | 12,400 | 12,697 | (297) | 12,561 |
| Group insurance | 41,400 | 41,295 | 105 | 31,458 |
| Unemployment expense | - | - | - | 218 |
| Retirement | 10,810 | 11,176 | (366) | 11,108 |
| Longevity pay | 5,670 | 5,661 | 9 | 4,089 |
| Telephone and postage | 4,000 | 2,968 | 1,032 | 4,317 |
| Maintenance and repairs - equipment | - | - | - | 987 |
| Maintenance and repairs - vehicles | 83,080 | 83,219 | (139) | 69,005 |
| Vehicle and equipment fuel | 37,140 | 27,576 | 9,564 | 43,154 |
| Supplies and materials | 800 | 695 | 105 | 624 |

**City of Graham, North Carolina
General Fund**

**Statement 1
10 of 12**

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2016**

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2015

| | 2016 | | | 2015 |
|-------------------------------------|------------|------------|------------------------------------|------------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Tipping fees | \$ 155,000 | \$ 143,710 | \$ 11,290 | \$ 151,569 |
| Uniforms | 5,200 | 4,201 | 999 | 5,243 |
| Contracted services | 77,980 | 79,693 | (1,713) | 61,145 |
| Miscellaneous | 1,820 | 1,814 | 6 | 1,004 |
| Rollout Refuse | 14,600 | 14,547 | 53 | 5,150 |
| Supplemental retirement | 8,000 | 3,503 | 4,497 | 7,239 |
| Total environmental protection | 619,900 | 594,647 | 25,253 | 567,556 |
| Culture and recreation | | | | |
| Recreation | | | | |
| Salaries | 356,300 | 347,585 | 8,715 | 359,189 |
| Professional services | 18,000 | 17,553 | 447 | 23,603 |
| FICA | 27,700 | 26,980 | 720 | 27,477 |
| Group insurance | 30,300 | 28,149 | 2,151 | 30,632 |
| Unemployment expense | 1,400 | 817 | 583 | 359 |
| Retirement | 17,200 | 17,165 | 35 | 18,220 |
| Longevity pay | 10,000 | 9,958 | 42 | 9,477 |
| Telephone and postage | 13,000 | 11,081 | 1,919 | 12,273 |
| Utilities | 31,500 | 32,188 | (688) | 43,623 |
| Travel | 5,000 | 4,987 | 13 | 5,042 |
| Maintenance and repairs - buildings | 8,000 | 8,398 | (398) | 11,720 |
| Maintenance and repairs - equipment | 12,000 | 1,814 | 10,186 | 4,952 |
| Maintenance and repairs - vehicles | 4,500 | 4,269 | 231 | 12,490 |
| Contracted personnel | 25,000 | 5,131 | 19,869 | 10,379 |
| Vehicle and equipment fuel | 4,500 | 1,652 | 2,848 | 2,674 |
| Supplies and materials | 12,000 | 9,365 | 2,635 | 5,788 |
| City sidewalk expenditures | 25,700 | 25,662 | 38 | 21,905 |
| Uniforms | 1,500 | 1,461 | 39 | 1,133 |
| Uniforms/Equipment from donations | 6,000 | 5,942 | 58 | 4,656 |
| Contracted services | 32,000 | 36,155 | (4,155) | 38,784 |
| Dues and subscriptions | 3,200 | 2,237 | 963 | 1,961 |
| Miscellaneous | 6,000 | 6,055 | (55) | 5,512 |
| 5K Run expenses | 7,100 | 1,591 | 5,509 | 1,450 |
| Athletics programs | 12,500 | 11,148 | 1,352 | 21,221 |
| Hall of fame | 500 | 619 | (119) | 8,348 |
| Other programs | 45,000 | 44,167 | 833 | 41,360 |
| Concessions | 11,500 | 7,692 | 3,808 | 8,798 |
| Small equipment purchases | 5,000 | 7,556 | (2,556) | 8,999 |
| Capital outlay - other improvements | - | 22,337 | (22,337) | 31,122 |

**City of Graham, North Carolina
General Fund**

**Statement 1
11 of 12**

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2016**

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2015

| | 2016 | | | 2015 |
|-------------------------------------|-----------|---------|------------------------------------|----------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Capital outlay -equipment | \$ 17,300 | \$ - | \$ 17,300 | \$ 6,164 |
| Advertising | 6,000 | 4,657 | 1,343 | 4,914 |
| Supplemental retirement | 12,900 | 10,732 | 2,168 | 12,263 |
| Tennis expense | 750 | 503 | 247 | 503 |
| Total | 769,350 | 715,606 | 53,744 | 796,991 |
| Graham-Mebane Lake | | | | |
| Salaries | 71,600 | 71,597 | 3 | 67,806 |
| FICA | 6,200 | 5,320 | 880 | 5,215 |
| Group insurance | 6,100 | 6,074 | 26 | 6,126 |
| Unemployment expense | 600 | 143 | 457 | 128 |
| Retirement expense | 2,500 | 2,482 | 18 | 2,536 |
| Longevity pay | 400 | 358 | 42 | - |
| Telephone and postage | 2,800 | 2,948 | (148) | 3,175 |
| Utilities | 4,300 | 3,449 | 851 | 4,784 |
| Travel | 1,000 | 424 | 576 | 25 |
| Maintenance and repairs - buildings | 4,000 | 3,118 | 882 | 2,761 |
| Maintenance and repairs - equipment | 2,000 | 397 | 1,603 | - |
| Maintenance and repairs - vehicles | 3,000 | 1,403 | 1,597 | 1,161 |
| Vehicle and equipment fuel | 2,200 | 794 | 1,406 | 1,043 |
| Other programs | 400 | 472 | (72) | 249 |
| Supplies and materials | 8,500 | 9,554 | (1,054) | 11,092 |
| Uniforms | 1,000 | 611 | 389 | 339 |
| Contracted services | 3,100 | 905 | 2,195 | 716 |
| Dues and subscriptions | - | - | - | 12 |
| Miscellaneous expense | 10,200 | 10,463 | (263) | - |
| Small equipment purchases | 3,800 | 2,393 | 1,407 | 427 |
| Capital outlay - equipment | 7,500 | 6,000 | 1,500 | - |
| Capital outlay - other improvements | 6,000 | 5,181 | 819 | - |
| Supplemental retirement | 1,900 | 1,844 | 56 | 1,757 |
| Total | 149,100 | 135,930 | 13,170 | 109,352 |
| Property Maintenance | | | | |
| Salaries | 381,200 | 367,371 | 13,829 | 360,497 |
| FICA | 29,800 | 27,906 | 1,894 | 27,538 |
| Group insurance | 60,700 | 55,758 | 4,942 | 57,289 |
| Unemployment expense | 2,700 | 264 | 2,436 | 386 |
| Retirement | 23,300 | 23,578 | (278) | 24,195 |
| Longevity pay | 9,000 | 7,197 | 1,803 | 7,744 |
| Telephone and postage | 5,700 | 5,167 | 533 | 3,971 |
| Utilities | 30,000 | 16,445 | 13,555 | 20,686 |

**City of Graham, North Carolina
General Fund**

**Statement 1
12 of 12**

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For The Fiscal Year Ended June 30, 2016**

With Comparative Actual Amounts for The Fiscal Year Ended June 30, 2015

| | 2016 | | | 2015 |
|---|-------------|--------------|------------------------------------|--------------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Contract Labor | \$ 26,000 | \$ 18,682 | \$ 7,318 | \$ 17,893 |
| Travel | 2,000 | 862 | 1,138 | 524 |
| Equipment Rentals | 5,500 | 385 | 5,115 | 1,670 |
| Maintenance and repairs - buildings | 30,000 | 15,180 | 14,820 | 22,606 |
| Maintenance and repairs - equipment | 40,000 | 35,990 | 4,010 | 42,450 |
| Maintenance and repairs - grounds | 26,200 | 22,218 | 3,982 | 25,572 |
| Maintenance and repairs - vehicles | 18,000 | 17,800 | 200 | 16,870 |
| Maintenance and repairs - lighting and fencing | 4,000 | 2,724 | 1,276 | 4,079 |
| Vehicle and equipment fuel | 41,000 | 18,627 | 22,373 | 27,001 |
| Supplies and materials | 24,000 | 20,508 | 3,492 | 14,754 |
| Uniforms | 12,500 | 11,405 | 1,095 | 12,975 |
| Dues and subscriptions | 1,200 | 1,175 | 25 | 1,350 |
| Miscellaneous | 3,000 | 3,251 | (251) | 2,831 |
| Small equipment purchases | 15,000 | 19,276 | (4,276) | 1,308 |
| Capital outlay - equipment | 42,000 | 26,917 | 15,083 | 14,870 |
| Supplemental retirement | 17,500 | 12,691 | 4,809 | 16,570 |
| Total | 850,300 | 731,377 | 118,923 | 725,631 |
| Total culture and recreation | 1,768,750 | 1,582,913 | 185,837 | 1,631,974 |
| Total expenditures | 11,413,826 | 10,577,467 | 836,359 | 9,855,847 |
| Revenues over (under) expenditures | (903,600) | 866,165 | 1,769,765 | 865,417 |
| Other financing sources (uses) | | | | |
| Letter of credit | - | - | - | 144,257 |
| Transfers: | | | | |
| Governmental Capital Projects | (1,416,667) | (1,411,976) | 4,691 | - |
| Water & Sewer Fund | - | 13,234 | 13,234 | - |
| Appropriated fund balance | 2,320,267 | - | (2,320,267) | - |
| Total | 903,600 | (1,398,742) | (2,302,342) | 144,257 |
| Net Change in Fund Balances | \$ - | (532,577) | \$ (532,577) | 1,009,674 |
| Fund balances, beginning | | 9,127,169 | | 8,117,495 |
| Fund balances, ending | | \$ 8,594,592 | | \$ 9,127,169 |

City of Graham, North Carolina
Combining Balance Sheets
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2016

Statement 2

| | Graham Memorial Park | Eastway Lane - Franklin Street Stormwater Replacement | Project Quarter | Jim Minor Road Park | Total Nonmajor Governmental Funds |
|---|----------------------------|--|---------------------|------------------------|--|
| <u>ASSETS</u> | | | | | |
| Cash and cash equivalents | \$ 2,352,920 | \$ - | \$ - | \$ 764,402 | \$ 3,117,322 |
| Accrued interest receivable | 12,386 | - | - | - | 12,386 |
| Accounts receivable, net | - | - | 200,000 | - | 200,000 |
| Due from other governments | 3,477 | - | 1,319,679 | - | 1,323,156 |
| Total assets | <u>\$ 2,368,783</u> | <u>\$ -</u> | <u>\$ 1,519,679</u> | <u>\$ 764,402</u> | <u>\$ 4,652,864</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | |
| Accounts payable and accrued liabilities | \$ 139 | \$ - | \$ 996,123 | \$ 1,200 | \$ 997,462 |
| Fund balances: | | | | | |
| Reserved for subsequent years' expenditures | 2,368,644 | - | 523,556 | 763,202 | 3,655,402 |
| Total liabilities and fund balances | <u>\$ 2,368,783</u> | <u>\$ -</u> | <u>\$ 1,519,679</u> | <u>\$ 764,402</u> | <u>\$ 4,652,864</u> |

City of Graham, North Carolina
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2016

Statement 3

| | Graham Memorial Park | Eastway Lane - Franklin Street Stormwater Replacement | Project Quarter | Jim Minor Road Park | Total Nonmajor Governmental Funds |
|---|----------------------------|--|--------------------|------------------------|--|
| <u>REVENUES</u> | | | | | |
| Restricted intergovernmental revenues: | | | | | |
| Investment earnings | \$ 29,145 | \$ - | \$ - | \$ - | \$ 29,145 |
| Lot sales | 33,065 | - | - | - | 33,065 |
| Golden Leaf Grant | - | - | 250,000 | - | 250,000 |
| Rural Center Grant | - | - | 500,000 | - | 500,000 |
| Chamber of Commerce NCCP Funds | - | - | 200,000 | - | 200,000 |
| Alamance County | - | - | 687,158 | - | 687,158 |
| City of Mebane | - | - | 687,158 | - | 687,158 |
| Total revenues | 62,210 | - | 2,324,316 | | 2,386,526 |
| Expenditures | | | | | |
| Capital Outlay Improvements | 65,362 | - | - | - | 65,362 |
| Capital Outlay Equipment | 15,692 | - | - | - | 15,692 |
| Construction Costs | - | - | 1,946,771 | 176,702 | 2,123,473 |
| Professional Services | - | - | 270,655 | 60,096 | 330,751 |
| Total expenditures | 81,054 | - | 2,217,426 | 236,798 | 2,535,278 |
| Other financing sources: | | | | | |
| Appropriated fund balance | - | - | - | - | - |
| Operating transfer from (to) General Fund | - | (4,690) | 416,666 | 1,000,000 | 1,411,976 |
| Revenues over expenditures and other financing sources | (18,844) | (4,690) | 523,556 | 763,202 | 1,263,224 |
| Fund balance - beginning of year | 2,387,488 | 4,690 | - | - | 2,392,178 |
| Fund balance - end of year | \$ 2,368,644 | \$ - | \$ 523,556 | \$ 763,202 | \$ 3,655,402 |

City of Graham, North Carolina
Special Revenue Fund - Graham Memorial Park Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016
With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2015

Statement 4

| | 2016 | | | 2015 |
|---|-------------|---------------------|------------------------------------|---------------------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Revenues: | | | | |
| Sale of cemetery lots | \$ - | \$ 33,065 | \$ 33,065 | \$ 43,000 |
| Investment earnings | - | 29,145 | 29,145 | (1,025) |
| Total revenues | - | 62,210 | 62,210 | 41,975 |
| Expenditures | | | | |
| Small Equipment Purchases | 1,000 | - | (1,000) | - |
| Capital Outlay Improvements | 68,000 | 65,362 | (2,638) | - |
| Capital Outlay Equipment | 17,000 | 15,692 | (1,308) | - |
| Total Expenditures | 86,000 | 81,054 | (4,946) | - |
| Revenues over expenditures | \$ (86,000) | (18,844) | \$ 67,156 | 41,975 |
| Other financing sources (uses) | | | | |
| Appropriated fund balance | 86,000 | - | (86,000) | - |
| | 86,000 | - | (86,000) | - |
| Revenues and other sources over (under) expenditures | <u>\$ -</u> | (18,844) | <u>\$ (18,844)</u> | 41,975 |
| Fund balance, beginning | | 2,387,488 | | 2,345,513 |
| Fund balance, ending | | <u>\$ 2,368,644</u> | | <u>\$ 2,387,488</u> |

City of Graham, North Carolina
Capital Project Fund - Eastway Lane - Franklin Street Stormwater Replacement Project
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

Statement 5

| | Project | Actual | | | Variance |
|---|--------------------|---------------|-----------------|------------------|------------------------|
| | Authori- zation | Prior Year | Current Year | Total To Date | Positive (Negative) |
| Expenditures: | | | | | |
| Construction Costs | \$ 473,000 | \$ 503,184 | \$ - | \$ 503,184 | \$ (30,184) |
| Total expenditures | 473,000 | 503,184 | - | 503,184 | (30,184) |
| Other financing sources: | | | | | |
| Operating transfer from (to) General fund | 473,000 | 507,874 | (4,690) | 503,184 | (30,184) |
| Revenues and other sources over (under) expenditures | \$ - | \$ 4,690 | (4,690) | \$ - | \$ - |
| Fund balance, beginning | | | 4,690 | | |
| Fund balance, ending | | | \$ - | | |

City of Graham, North Carolina
Capital Project Fund - Project Quarter
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

Statement 6

| | Project | Actual | | | Variance |
|---|--------------------|---------------|-----------------|------------------|------------------------|
| | Authori- zation | Prior Year | Current Year | Total To Date | Positive (Negative) |
| Revenue | | | | | |
| Golden Leaf Grant | \$ 250,000 | \$ - | \$ 250,000 | \$ 250,000 | \$ - |
| Rural Center Grant | 500,000 | - | 500,000 | 500,000 | - |
| Chamber of Commerce | | | | | |
| NCCP Funds | 200,000 | | 200,000 | 200,000 | - |
| Alamance County | 426,667 | - | 687,158 | 687,158 | (260,491) |
| City of Mebane | 426,667 | - | 687,158 | 687,158 | (260,491) |
| Total Revenue | 1,803,334 | - | 2,324,316 | 2,324,316 | (520,982) |
| Expenditures: | | | | | |
| Professional Services | 260,000 | - | 270,655 | 270,655 | (10,655) |
| Construction | 1,970,000 | - | 1,946,771 | 1,946,771 | 23,229 |
| Total expenditures | 2,230,000 | - | 2,217,426 | 2,217,426 | 12,574 |
| Other financing sources: | | | | | |
| Operating transfer from General fund | 426,666 | - | 416,666 | 416,666 | 10,000 |
| | 426,666 | - | - | 416,666 | 10,000 |
| Revenues and other sources over (under) expenditures | \$ - | \$ - | 523,556 | \$ 523,556 | \$ 523,556 |
| Fund balance, beginning | | | - | | |
| Fund balance, ending | | | \$ 523,556 | | |

City of Graham, North Carolina
Capital Project Fund - Jim Minor Road Park
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

Statement 7

| | Project | Actual | | | Variance |
|---|--------------------|---------------|-----------------|------------------|------------------------|
| | Authori- zation | Prior Year | Current Year | Total To Date | Positive (Negative) |
| Expenditures: | | | | | |
| Construction | \$ 915,000 | \$ - | \$ 176,702 | \$ 176,702 | \$ 738,298 |
| Professional Services | 85,000 | - | 60,096 | 60,096 | 24,904 |
| Total expenditures | 1,000,000 | - | 236,798 | 236,798 | 763,202 |
| Other financing sources: | | | | | |
| Operating transfer from General fund | 1,000,000 | - | 1,000,000 | 1,000,000 | - |
| Revenues and other sources over (under) expenditures | \$ - | \$ - | 763,202 | \$ 763,202 | \$ 763,202 |
| Fund balance, beginning | | | - | | |
| Fund balance, ending | | | \$ 763,202 | | |

City of Graham, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)

Statement 8
Page 1 of 6

For The Fiscal Year Ended June 30, 2016

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2015

| | 2016 | | | 2015 |
|----------------------------------|-----------|-----------|------------------------------------|-----------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Revenues: | | | | |
| Charges for services | | | | |
| Sewer surcharges | \$ 58,000 | \$ 61,621 | \$ 3,621 | \$ 62,143 |
| Water charges | 2,697,000 | 2,731,224 | 34,224 | 2,654,714 |
| Sewer charges | 2,610,000 | 2,601,022 | (8,978) | 2,624,577 |
| Mebane revenue | 714,500 | 717,841 | 3,341 | 632,245 |
| Total | 6,079,500 | 6,111,708 | 32,208 | 5,973,679 |
| Other operating revenues | | | | |
| Sewer impact fees | 9,300 | 46,925 | 37,625 | 193,525 |
| Other water and sewer fees | 9,300 | 37,350 | 28,050 | 193,750 |
| Plumbing permits and inspections | 10,000 | 23,403 | 13,403 | 22,750 |
| Water and sewer taps | 5,000 | 9,400 | 4,400 | 4,875 |
| Water and sewer assessments | 100 | 13,617 | 13,517 | 1,225 |
| Miscellaneous | 5,000 | 39,328 | 34,328 | 2,774 |
| Cut-offs | 80,000 | 114,616 | 34,616 | 85,725 |
| Total | 118,700 | 284,639 | 165,939 | 504,624 |
| Total operating revenues | 6,198,200 | 6,396,347 | 198,147 | 6,478,303 |
| Non-operating revenues | | | | |
| Investment earnings | 10,000 | 29,482 | 19,482 | 31,967 |
| Swordfish Alamance County | 100,000 | 100,000 | - | - |
| Total non-operating revenues | 110,000 | 129,482 | 19,482 | 31,967 |
| Total revenues | 6,308,200 | 6,525,829 | 217,629 | 6,510,270 |
| Expenditures: | | | | |
| Water billing and metering | | | | |
| Salaries | 111,000 | 110,036 | 964 | 106,908 |
| Professional services | 450 | - | 450 | 384 |
| FICA | 8,450 | 8,130 | 320 | 7,260 |
| Group insurance | 18,200 | 18,222 | (22) | 17,468 |
| Unemployment expense | 700 | 35 | 665 | 175 |
| Retirement | 7,100 | 7,416 | (316) | 6,992 |
| Longevity pay | 1,200 | 1,154 | 46 | 806 |
| Bank charges | 31,600 | 35,172 | (3,572) | 16,795 |
| Telephone and postage | 30,000 | 31,960 | (1,960) | 33,939 |
| Travel | 1,000 | - | 1,000 | 926 |

**City of Graham, North Carolina
Water and Sewer Fund**

**Statement 8
Page 2 of 6**

**Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)**

For The Fiscal Year Ended June 30, 2016

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2015

| | 2016 | | Variance Positive (Negative) | 2015 |
|---------------------------------------|----------------|----------------|------------------------------------|----------------|
| | Budget | Actual | | Actual |
| Maintenance and repairs - vehicles \$ | 3,000 | \$ 2,713 | \$ 287 | \$ 1,999 |
| Vehicle and equipment fuel | 1,200 | 792 | 408 | 1,574 |
| Supplies and materials | 5,000 | 1,157 | 3,843 | 1,101 |
| Uniforms | - | 73 | (73) | 335 |
| Contract services | 16,000 | 15,093 | 907 | 17,222 |
| Sewer treatment | 377,500 | 376,782 | 718 | 373,574 |
| Dues and subscriptions | 9,000 | 8,590 | 410 | 4,433 |
| Small equipment | 2,500 | 686 | 1,814 | 4,714 |
| Miscellaneous | 1,000 | 181 | 819 | - |
| Software maintenance and charges | 25,000 | 22,704 | 2,296 | 15,395 |
| Bad Debt Expense | - | 7,720 | (7,720) | (791) |
| Supplemental retirement | 5,300 | 5,502 | (202) | 4,225 |
| | <u>655,200</u> | <u>654,118</u> | <u>1,082</u> | <u>615,434</u> |
| Water distribution | | | | |
| Salaries | 316,000 | 315,860 | 140 | 307,804 |
| FICA | 24,200 | 24,445 | (245) | 23,780 |
| Group insurance | 55,000 | 54,926 | 74 | 52,443 |
| Unemployment expense | 400 | 306 | 94 | 365 |
| Retirement | 20,300 | 21,680 | (1,380) | 22,177 |
| Longevity pay | 9,500 | 9,175 | 325 | 6,927 |
| Telephone and postage | 4,000 | 4,675 | (675) | 3,848 |
| Utilities | 11,000 | 9,695 | 1,305 | 11,085 |
| Travel | 5,000 | 2,114 | 2,886 | 4,502 |
| Maintenance and repairs - equipment | 30,000 | 22,300 | 7,700 | 11,545 |
| Maintenance and repairs - vehicles | 16,500 | 17,408 | (908) | 8,354 |
| Vehicle and equipment fuel | 20,000 | 7,325 | 12,675 | 12,278 |
| Supplies and materials | 75,000 | 79,178 | (4,178) | 78,271 |
| Uniforms | 7,400 | 7,013 | 387 | 7,858 |
| Contracted services | 187,000 | 164,676 | 22,324 | 154,744 |
| Dues and subscriptions | 3,000 | 1,643 | 1,357 | 1,840 |
| Miscellaneous | 4,000 | 1,557 | 2,443 | 3,262 |
| Meters, valves, hydrants | 85,000 | 59,205 | 25,795 | 81,614 |
| Small tools and equipment | 17,000 | 8,263 | 8,737 | 3,475 |
| Supplemental retirement | 15,200 | 11,066 | 4,134 | 13,984 |
| | <u>905,500</u> | <u>822,510</u> | <u>82,990</u> | <u>810,156</u> |

City of Graham, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2016

Statement 8
Page 3 of 6

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2015

| | 2016 | | | 2015 |
|--|----------------|----------------|------------------------------------|----------------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Sewer mains | | | | |
| Salaries | \$ 111,200 | \$ 111,002 | \$ 198 | \$ 94,597 |
| FICA | 8,500 | 8,569 | (69) | 7,381 |
| Group insurance | 18,200 | 17,963 | 237 | 17,056 |
| Unemployment expense | 700 | 11 | 689 | 46 |
| Professional services | 5,000 | 3,956 | 1,044 | 2,278 |
| Retirement | 7,500 | 7,623 | (123) | 6,901 |
| Longevity pay | 3,500 | 3,281 | 219 | 3,113 |
| Telephone and postage | 5,000 | 5,224 | (224) | 5,220 |
| Utilities | 20,000 | 20,020 | (20) | 19,490 |
| Travel | 2,000 | 325 | 1,675 | 512 |
| Maintenance and repairs - buildings | 10,000 | 1,700 | 8,300 | - |
| Maintenance and repairs - equipment | 50,000 | 2,789 | 47,211 | 10,276 |
| Maintenance and repairs - vehicles | 10,000 | 5,516 | 4,484 | 5,066 |
| Vehicle and equipment fuel | 14,000 | 5,851 | 8,149 | 9,665 |
| Supplies and materials | 1,200 | 1,303 | (103) | 458 |
| Uniforms | 2,500 | 2,365 | 135 | 2,193 |
| Contracted services | 10,000 | 7,841 | 2,159 | 2,542 |
| Miscellaneous | 2,500 | 90 | 2,410 | 154 |
| Small equipment purchase | 4,000 | - | 4,000 | - |
| Supplemental retirement | 5,600 | 4,442 | 1,158 | 4,713 |
| | <u>291,400</u> | <u>209,871</u> | <u>81,529</u> | <u>191,661</u> |
| Water Treatment Plant | | | | |
| Salaries | 462,000 | 425,741 | 36,259 | 445,065 |
| Professional services | 40,000 | 7,881 | 32,119 | 6,031 |
| FICA | 36,500 | 33,158 | 3,342 | 35,750 |
| Group insurance | 55,000 | 52,279 | 2,721 | 54,264 |
| Unemployment expense | 2,000 | - | 2,000 | - |
| Retirement | 29,800 | 26,500 | 3,300 | 32,100 |
| Longevity pay | 19,200 | 18,628 | 572 | 19,948 |
| Telephone and postage | 6,500 | 5,023 | 1,477 | 6,893 |
| Utilities | 200,000 | 220,475 | (20,475) | 222,983 |
| Travel | 4,000 | 2,468 | 1,532 | 3,455 |
| Maintenance and repairs - buildings and grounds | 25,000 | 21,213 | 3,787 | 21,351 |
| Maintenance and repairs - equipment | 190,000 | (6,303) | 196,303 | 93,800 |
| Maintenance and repairs - vehicles | 4,000 | 1,518 | 2,482 | 1,611 |

City of Graham, North Carolina

Statement 8

Water and Sewer Fund

Page 4 of 6

Schedule of Revenues and Expenditures -

Budget and Actual (Non-GAAP)

For The Fiscal Year Ended June 30, 2016

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2015

| | 2016 | | | 2015 |
|-------------------------------------|------------------|------------------|------------------------------------|------------------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Vehicle and equipment fuel | \$ 3,000 | \$ 1,087 | \$ 1,913 | \$ 1,801 |
| Supplies and materials | 410,000 | 405,222 | 4,778 | 368,763 |
| Uniforms | 2,500 | 2,152 | 348 | 1,678 |
| Lab expense | 15,000 | 7,282 | 7,718 | 9,309 |
| Contract services | 40,000 | 31,334 | 8,666 | 45,275 |
| Dues and subscriptions | 6,500 | 6,432 | 68 | 5,583 |
| Small equipment | 20,000 | 24,011 | (4,011) | 14,117 |
| Miscellaneous | 3,000 | 212 | 2,788 | 1,170 |
| Supplemental retirement | 22,300 | 18,543 | 3,757 | 21,699 |
| | <u>1,596,300</u> | <u>1,304,856</u> | <u>291,444</u> | <u>1,412,646</u> |
| Waste Water Treatment Plant | | | | |
| Salaries | 394,600 | 394,539 | 61 | 364,986 |
| Professional services | 5,000 | 2,927 | 2,073 | 2,077 |
| FICA | 30,200 | 30,148 | 52 | 28,587 |
| Group insurance | 53,800 | 42,628 | 11,172 | 50,616 |
| Unemployment expense | 500 | 444 | 56 | 122 |
| Retirement | 25,500 | 26,219 | (719) | 26,892 |
| Longevity pay | 12,200 | 11,797 | 403 | 14,523 |
| Telephone and postage | 6,000 | 6,222 | (222) | 6,125 |
| Utilities | 155,000 | 162,308 | (7,308) | 179,359 |
| Travel | 3,000 | 2,828 | 172 | 2,046 |
| Maintenance and repairs - buildings | 15,400 | 4,871 | 10,529 | 15,631 |
| Maintenance and repairs - equipment | 60,000 | 33,310 | 26,690 | 19,464 |
| Maintenance and repairs - vehicles | 4,000 | 3,000 | 1,000 | 3,199 |
| Vehicle and equipment fuel | 3,000 | 1,558 | 1,442 | 1,997 |
| Supplies and materials | 80,000 | 73,035 | 6,965 | 39,332 |
| Uniforms | 4,000 | 2,602 | 1,398 | 4,836 |
| Lab expense | 30,000 | 24,511 | 5,489 | 20,488 |
| Contracted services | 30,000 | 26,657 | 3,343 | 22,374 |
| Dues and subscriptions | 17,000 | 16,267 | 733 | 11,874 |
| Miscellaneous | 3,500 | 154 | 3,346 | 1,480 |
| Bad Debt Expense | - | 12,721 | (12,721) | 10,532 |
| Small equipment purchase | 7,000 | 6,996 | 4 | 10,378 |
| Supplemental retirement | 19,000 | 18,523 | 477 | 18,155 |
| | <u>958,700</u> | <u>904,265</u> | <u>54,435</u> | <u>855,073</u> |

City of Graham, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2016

Statement 8
Page 5 of 6

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2015

| | 2016 | | | 2015 |
|--|------------------|------------------|------------------------------------|------------------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Non-departmental | | | | |
| Professional services | \$ 50,000 | \$ 33,879 | \$ 16,121 | \$ 28,119 |
| Group Insurance | 53,000 | 48,268 | 4,732 | 39,666 |
| Water - Burlington | 5,000 | 1,125 | 3,875 | - |
| Contracted Services | 22,000 | 21,908 | 92 | 22,728 |
| Insurance and bonds | 110,000 | 97,559 | 12,441 | 104,515 |
| Small equipment purchase | 18,500 | 15,453 | 3,047 | - |
| Maintenance | 61,000 | - | 61,000 | 6,940 |
| Miscellaneous | 7,000 | 7,151 | (151) | 5,795 |
| | <u>326,500</u> | <u>225,343</u> | <u>101,157</u> | <u>207,763</u> |
| Debt service | | | | |
| Interest | 196,800 | 196,100 | 700 | 177,517 |
| Debt principal | 1,420,400 | 1,419,484 | 916 | 1,181,484 |
| | <u>1,617,200</u> | <u>1,615,584</u> | <u>1,616</u> | <u>1,359,001</u> |
| Capital outlay - equipment & improvements | | | | |
| Water billing and metering equipment | - | - | - | 18,879 |
| Water distribution improvements | 75,000 | 68,248 | 6,752 | - |
| Water distribution equipment | 8,700 | - | 8,700 | 19,710 |
| Sewer mains | - | 36,654 | (36,654) | 171,251 |
| Equipment | 5,000 | 4,887 | 113 | - |
| Water Treatment Plant improvements | 10,000 | - | 10,000 | - |
| Water Treatment Plant equipment | 180,000 | 275,969 | (95,969) | - |
| Waste Water Plant improvements | 140,000 | 139,608 | 392 | - |
| Waste Water Treatment Plant | - | 17,284 | (17,284) | 63,500 |
| | <u>418,700</u> | <u>542,650</u> | <u>(123,950)</u> | <u>273,340</u> |
| Total expenditures | <u>6,769,500</u> | <u>6,279,197</u> | <u>490,303</u> | <u>5,725,074</u> |
| Revenues over (under) expenditures | <u>(461,300)</u> | <u>246,632</u> | <u>707,932</u> | <u>785,196</u> |

City of Graham, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2016

Statement 8
Page 6 of 6

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2015

| | 2016 | | | 2015 |
|--|----------------|---------------------|------------------------------------|---------------------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Other financing sources (uses) | | | | |
| Fund balance appropriated | \$ 507,300 | \$ - | \$ (507,300) | \$ - |
| Mebane WTP Capital Contribution | 127,000 | 127,403 | 403 | 127,403 |
| Transfer | (175,000) | (188,234) | (13,234) | - |
| Sale of surplus property | 2,000 | 13,477 | 11,477 | 1,184 |
| | <u>461,300</u> | <u>(47,354)</u> | <u>(508,654)</u> | <u>128,587</u> |
| Revenues and other sources (uses) over expenditures | <u>\$ -</u> | <u>199,278</u> | <u>\$ 199,278</u> | <u>913,783</u> |
| Reconciling items: | | | | |
| Payment of debt principal | | 1,419,484 | | 1,181,484 |
| Principal payments received | | (227,403) | | |
| Capital outlay | | 542,650 | | 273,340 |
| Pension expense | | 22,422 | | 78,416 |
| (Increase) decrease in accrued vacation pay | | (5,655) | | (12,960) |
| (Increase) decrease in accrued OPEB liability | | (106,386) | | (125,268) |
| (Increase) decrease in interest expense accrual | | 10,815 | | (38,320) |
| Water and sewer assessments | | (14,845) | | (692) |
| Loss on disposal of assets | | (8,888) | | (2,693,254) |
| Capital contributions | | 831,218 | | (127,403) |
| Depreciation and amortization | | (887,011) | | (857,532) |
| Transfer from Water and Sewer Fund | | | | |
| Capital Projects | | 175,000 | | 450,000 |
| Interest income from Water and Sewer | | | | |
| Fund Capital Projects | | - | | 8,459 |
| Capitalized interest on borrowings | | | | |
| during construction: | | | | |
| Interest costs | | 117,655 | | 126,117 |
| Interest earnings on borrowed funds | | - | | (8,459) |
| Total reconciling items | | <u>1,869,056</u> | | <u>(1,746,072)</u> |
| Change in Net Position | | <u>\$ 2,068,334</u> | | <u>\$ (832,289)</u> |

City of Graham, North Carolina

Statement 9

Water Treatment Plant Improvements Capital Project

Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)

From Inception and For the Fiscal Year Ended June 30, 2016

| | | Actual | | | |
|---|--------------------|--------------------|---------------------|--------------------|------------------------------------|
| | Authori- zation | Project | | Total To Date | Variance Positive (Negative) |
| | | Prior Year | Current Year | | |
| Revenue | | | | | |
| City of Mebane | \$ 2,684,500 | \$ 1,797,771 | \$ 436,000 | \$ 2,233,771 | \$ (450,729) |
| Investment earnings | 6,000 | 6,013 | - | 6,013 | 13 |
| | <u>2,690,500</u> | <u>1,803,784</u> | <u>436,000</u> | <u>2,239,784</u> | <u>(450,716)</u> |
| Expenditures | | | | | |
| Construction | 4,039,000 | 3,033,349 | 765,792 | 3,799,141 | 239,859 |
| Engineering | 810,000 | 727,130 | 172,772 | 899,902 | (89,902) |
| Contingency | 400,000 | - | - | - | 400,000 |
| Cost of debt issuance | 87,900 | 2,890 | - | 2,890 | 85,010 |
| Refunding debt | 981,503 | 980,498 | - | 980,498 | 1,005 |
| Legal and administrative | 20,000 | 3,356 | - | 3,356 | 16,644 |
| Total Expenditures | <u>6,338,403</u> | <u>4,747,223</u> | <u>938,564</u> | <u>5,685,787</u> | <u>652,616</u> |
| Revenues under expenditures | <u>(3,647,903)</u> | <u>(2,943,439)</u> | <u>(502,564)</u> | <u>(3,446,003)</u> | <u>201,900</u> |
| Other financing sources: | | | | | |
| Installment Purchase | | | | | |
| Contract | 3,542,903 | 3,574,298 | - | 3,574,298 | 31,395 |
| Transfer from | | | | | |
| Water and Sewer Fund: | 105,000 | 314,557 | - | 314,557 | 209,557 |
| | <u>3,647,903</u> | <u>3,888,855</u> | <u>-</u> | <u>3,888,855</u> | <u>240,952</u> |
| Revenues and other sources over (under) expenditures | <u>\$ -</u> | <u>\$ 945,416</u> | <u>\$ (502,564)</u> | <u>\$ 442,852</u> | <u>\$ 442,852</u> |

City of Graham, North Carolina
Project Swordfish Capital Project
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2016

Statement 10

| | Actual | | | | Variance Positive (Negative) |
|--|--------------------|---------------------|----------------------------|---------------------|------------------------------------|
| | Authori- zation | Prior Year | Project Current Year | Total To Date | |
| Revenue | | | | | |
| Golden Leaf Grant | \$ 900,000 | \$ 900,000 | \$ - | \$ 900,000 | \$ - |
| Reimbursement from | | | | | |
| Wal-Mart | 107,300 | 107,307 | - | 107,307 | 7 |
| Mebane | 472,000 | 613,805 | - | 613,805 | 141,805 |
| Alamance County | - | 1,017,258 | - | 1,017,258 | 1,017,258 |
| Investment earnings | - | 4,678 | - | 4,678 | 4,678 |
| | <u>1,479,300</u> | <u>2,643,048</u> | <u>-</u> | <u>2,643,048</u> | <u>1,163,748</u> |
| Expenditures | | | | | |
| Land and easement purchase | 2,700,000 | 2,698,318 | 21 | 2,698,339 | 1,661 |
| Permits and easements | 225,000 | 223,153 | - | 223,153 | 1,847 |
| Construction | 3,256,767 | 3,246,287 | 45,451 | 3,291,738 | (34,971) |
| Engineering | 344,600 | 289,991 | 621 | 290,612 | 53,988 |
| Contingency- Phase II | 14,030 | - | - | - | 14,030 |
| Legal and administrative | 36,000 | 35,850 | - | 35,850 | 150 |
| Total expenditures | <u>6,576,397</u> | <u>6,493,599</u> | <u>46,093</u> | <u>6,539,692</u> | <u>36,705</u> |
| Revenues under expenditures | <u>(5,097,097)</u> | <u>(3,850,551)</u> | <u>(46,093)</u> | <u>(3,896,644)</u> | <u>1,200,453</u> |
| Other financing sources: | | | | | |
| Loan proceeds | 2,397,097 | 2,350,702 | - | 2,350,702 | (46,395) |
| Proceeds from General Fund | 2,700,000 | 2,700,000 | - | 2,700,000 | - |
| | <u>5,097,097</u> | <u>5,050,702</u> | <u>-</u> | <u>5,050,702</u> | <u>(46,395)</u> |
| Revenues and other sources over (under) expenditures | <u>\$ -</u> | <u>\$ 1,200,151</u> | <u>\$ (46,093)</u> | <u>\$ 1,154,058</u> | <u>\$ 1,154,058</u> |

CITY OF GRAHAM, NORTH CAROLINA
Boyd Creek Pump Station Capital Project
Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP)
From Inception and For the Fiscal Year Ended June 30, 2016

Statement 11

| | Project Authori- zation | Actual | | | Variance Positive (Negative) |
|---|-------------------------------|---------------|-----------------|------------------|------------------------------------|
| | | Prior Year | Current Year | Total To Date | |
| Expenditures | | | | | |
| Professionl Services | \$ 175,000 | \$ - | \$ 152,382 | \$ 152,382 | \$ (22,618) |
| Total | 175,000 | - | 152,382 | 152,382 | (22,618) |
| Other financing sources: | | | | | |
| Operating transfer from Water and Sewer Fund | 175,000 | - | 175,000 | 175,000 | - |
| | 175,000 | - | 175,000 | 175,000 | - |
| Net change in fund balance | \$ - | \$ - | \$ 22,618 | \$ 22,618 | \$ 22,618 |

City of Graham, North Carolina
Internal Service Fund - Garage Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2016

Statement 12
Page 1 of 2

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2015

| | 2016 | | | 2015 |
|-------------------------------|------------|------------|------------------------------------|------------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Revenues: | | | | |
| Operating revenues | | | | |
| Charges for services | | | | |
| Alamance County - maintenance | \$ 267,000 | \$ 152,945 | \$ (114,055) | \$ 275,762 |
| City of Graham | 515,200 | 430,915 | (84,285) | 455,821 |
| Graham Housing Authority | 10,500 | 9,454 | (1,046) | 8,528 |
| ACTA vehicles | 83,700 | 51,515 | (32,185) | 55,105 |
| Green Level | 16,000 | 8,469 | (7,531) | 14,230 |
| ABC vehicles | 2,900 | 2,077 | (823) | 2,655 |
| Miscellaneous income | 100 | - | (100) | 990 |
| Total | 895,400 | 655,375 | (240,025) | 813,091 |
| Total operating revenues | 895,400 | 655,375 | (240,025) | 813,091 |
| Non-operating revenues | | | | |
| Investment earnings | 300 | 1,422 | 1,122 | 873 |
| Total non-operating revenues | 300 | 1,422 | 1,122 | 873 |
| Total revenues | 895,700 | 656,797 | (238,903) | 813,964 |
| Expenditures: | | | | |
| Operations | | | | |
| Salaries | 95,300 | 95,432 | (132) | 87,726 |
| FICA | 7,300 | 6,777 | 523 | 6,831 |
| Group insurance | 12,200 | 12,148 | 52 | 13,078 |
| Dental insurance | 1,000 | - | 1,000 | 220 |
| Unemployment Expense | - | - | - | 61 |
| Retirement | 6,000 | 5,993 | 7 | 6,308 |
| Longevity pay | 2,600 | 2,491 | 109 | 2,442 |
| Telephone and postage | 2,200 | 2,278 | (78) | 2,034 |
| Utilities | 3,500 | 3,630 | (130) | 3,529 |
| Travel | 500 | - | 500 | - |

City of Graham, North Carolina
Internal Service Fund - Garage Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)
For The Fiscal Year Ended June 30, 2016

Statement 12
Page 2 of 2

With Comparative Actual Amounts For The Fiscal Year Ended June 30, 2015

| | 2016 | | | 2015 |
|--|-------------|------------------|------------------------------------|-----------------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Maintenance and repairs - equipment \$ | 3,500 | \$ - | \$ 3,500 | \$ 591 |
| Maintenance and repairs - vehicles | 3,000 | 811 | 2,189 | 754 |
| Vehicle and equipment fuel | 2,000 | 618 | 1,382 | 1,329 |
| Supplies and materials | 2,000 | 949 | 1,051 | 1,060 |
| Uniforms | 3,500 | 2,895 | 605 | 3,181 |
| Dues and subscriptions | 6,200 | 2,219 | 3,981 | - |
| Miscellaneous | 3,000 | 2,197 | 803 | 1,667 |
| Purchases for inventory | 715,800 | 490,575 | 225,225 | 675,594 |
| Supplemental retirement | 4,350 | 4,360 | (10) | 3,809 |
| Capital outlay - small tools | 9,500 | 4,224 | 5,276 | 697 |
| Total | 883,450 | 637,597 | 245,853 | 810,911 |
| Capital outlay | 12,250 | 17,415 | (5,165) | - |
| Total expenditures | 895,700 | 655,012 | 240,688 | 810,911 |
| Revenues over (under) expenditures | - | 1,785 | 1,785 | 3,053 |
| Other financing sources (uses) | | | | |
| Fund balance appropriated | - | - | - | - |
| Revenues and other sources (uses) over expenditures | <u>\$ -</u> | <u>1,785</u> | <u>\$ 1,785</u> | <u>3,053</u> |
| Reconciling items: | | | | |
| Capital outlay | | 17,415 | | - |
| Depreciation | | (5,675) | | (7,060) |
| Pension expense | | 2,389 | | 7,129 |
| (Increase) decrease in accrued vacation pay | | (1,874) | | 2,010 |
| Total reconciling items | | <u>12,255</u> | | <u>2,079</u> |
| Change in Net Position | | <u>\$ 14,040</u> | | <u>\$ 5,132</u> |

City of Graham, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2016

Statement 13

| Fiscal Year | Uncollected Balance June 30, 2015 | Additions | Collections and Credits | Uncollected Balance June 30, 2016 |
|-------------|---|---------------------|----------------------------|---|
| 2015-2016 | \$ | \$ 4,726,602 | \$ 4,640,484 | \$ 86,118 |
| 2014-2015 | 85,489 | | 45,268 | 40,221 |
| 2013-2014 | 52,840 | - | 23,828 | 29,012 |
| 2012-2013 | 39,821 | - | 12,447 | 27,374 |
| 2011-2012 | 27,974 | - | 9,207 | 18,767 |
| 2010-2011 | 16,728 | - | 2,410 | 14,318 |
| 2009-2010 | 15,847 | - | 685 | 15,162 |
| 2008-2009 | 23,905 | - | 470 | 23,435 |
| 2007-2008 | 15,067 | - | 323 | 14,744 |
| 2006-2007 | 12,956 | - | 179 | 12,777 |
| 2005-2006 | 14,349 | - | 14,349 | - |
| | <u>\$ 304,976</u> | <u>\$ 4,726,602</u> | <u>\$ 4,749,650</u> | 281,928 |

Less: Allowance for uncollectible accounts (General Fund)

46,177

Ad valorem taxes receivable - net

\$ 235,751

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 4,771,858

Reconciling items:

Tax cost and interest

(36,931)

Amounts written off for tax year 2005-2006

per statute of limitations

14,349

Refunds and other adjustments - net

374

Subtotal

(22,208)

Total collections and credits

\$ 4,749,650

City of Graham, North Carolina
Analysis of Current Tax Levy
City-Wide Levy
For The Fiscal Year Ended June 30, 2016

Statement 14

| | City-Wide | | | Total Levy | |
|--|-------------------------|----------|---------------------|--|---------------------------|
| | Property Valuation | Rate | Total Levy | Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy: | | | | | |
| Property taxed at current year's rate | \$ 1,050,747,764 | \$ 0.455 | \$ 4,779,921 | \$ 4,306,907 | \$ 473,014 |
| Penalties | - | | 981 | 981 | - |
| Total | 1,050,747,764 | | 4,780,902 | 4,307,888 | 473,014 |
| Discoveries | 843,698 | | 3,839 | 3,839 | - |
| | | | 4,784,741 | 4,311,727 | 473,014 |
| Abatements | (12,777,893) | | (58,139) | (58,139) | - |
| Total property valuation | <u>\$ 1,038,813,569</u> | | | | |
| Net levy | | | 4,726,602 | 4,253,588 | 473,014 |
| Uncollected taxes at June 30, 2016 | | | (86,118) | (86,118) | - |
| Current year's taxes collected | | | <u>\$ 4,640,484</u> | <u>\$ 4,167,470</u> | <u>\$ 473,014</u> |
| Current levy collection percentage | | | <u>98.18%</u> | <u>97.98%</u> | <u>100.00%</u> |
| <u>Secondary Market Disclosures:</u> | | | | | |
| Assessed Valuation: | | | Total | | |
| Assessment Ratio ¹ | | | 100% | | |
| Real Property | | | \$ 824,899,076 | \$ 824,899,076 | \$ - |
| Personal Property | | | 189,569,371 | 85,610,204 | 103,959,167 |
| Public Service Companies ² | | | 24,345,123 | 24,345,123 | - |
| Total Assessed Valuation | | | 1,038,813,570 | 934,854,403 | 103,959,167 |
| Tax Rate per \$100 | | | <u>0.455</u> | <u>0.455</u> | <u>0.455</u> |
| Levy (includes discoveries, releases and abatements) | | | <u>\$ 4,726,602</u> | <u>\$ 4,253,588</u> | <u>\$ 473,014</u> |

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.

City of Graham, North Carolina

Ten Largest Taxpayers

For The Fiscal Year Ended June 30, 2016

| Taxpayer | Type of Business | | Percentage of Total Assessed Valuation |
|----------------------------------|------------------|----------------------|--|
| Luxfer Inc. | Manufacturing | \$ 11,076,328 | 1.07% |
| Pines Apartments of Graham LLC | Rental | 8,779,805 | 0.85% |
| Indulor America LP | | 6,122,455 | 0.59% |
| Premier Properties of Reidsville | Rental | 6,010,586 | 0.58% |
| Pureflow Inc | Utility | 5,399,532 | 0.52% |
| CFJ Plaza Company 1 LLC | Rental | 4,819,913 | 0.46% |
| Kourescent Properties LLC | Rental | 3,843,836 | 0.37% |
| Acucote Inc | Manufacturing | 4,911,345 | 0.47% |
| Crescent Oaks Apartments LLC | Rental | 4,385,453 | 0.42% |
| Sterigenics U.S. LLC | Manufacturing | 5,195,025 | 0.50% |
| | | <u>\$ 60,544,278</u> | <u>5.83%</u> |



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STUART
McGOWEN
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**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 Honorable Mayor and
Members of the City Council
City of Graham
Graham, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to the 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 business-type activities, each major fund and the aggregate remaining fund information of the City of Graham, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises the City of Graham's basic financial statements and have issued our report thereon dated October 31, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Graham's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Graham's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 the internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

STOUT STUART MCGOWEN & KINGS LLP

October 31, 2016



**STOUT
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REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH OMB UNIFORM GUIDANCE; AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

To The Honorable Mayor and
Members of the City Council
City of Graham
Graham, North Carolina

Report on Compliance for Each Major State Program

We have audited City of Graham, 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 the City of Graham's major state programs for the year ended June 30, 2016. The City of Graham's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Graham'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 US *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 the City of Graham'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 on the City of Graham's compliance.

Opinion on Each Major State Program

In our opinion, the City of Graham complied, in all material respects, 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, 2016.

Report on Internal Control Over Compliance

Management of the City of Graham 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 the City of Graham's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program in order 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 City'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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

STOUT STUART MCGOWEN & KINGS LLP

October 31, 2016

CITY OF GRAHAM, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X NoSignificant Deficiency(s) identified that are not
considered to be material weaknesses _____ Yes X None ReportedNoncompliance material to financial statements noted _____ Yes X NoState Awards

Internal control over major State programs:

Material weakness(es) identified? _____ Yes X NoSignificant Deficiency(s) identified that are not
considered to be material weaknesses _____ Yes X None ReportedType of auditor's report issued on compliance for
major State programs: UnmodifiedAny audit findings disclosed that are required to be
reported in accordance with State Single Audit
Implementation Act _____ Yes X No

Identification of major State Programs:

Program NameRural Grants/Programs Economic
Infrastructure Program

CITY OF GRAHAM, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

Section II. Financial Statement Findings

None reported.

Section III. State Award Findings and Questioned Costs

None reported.

CITY OF GRAHAM, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2016

None Reported

City of Graham, North Carolina
Schedule of Expenditures of Federal and State Awards
For The Year Ended June 30, 2016

Schedule 16

| Grantor/Pass-through <u>Grantor/Program Title</u> | Federal CFDA Number | State/ Pass-through Grantor's Number | Federal (Direct and Pass-through) Expenditures | State Expenditures |
|---|---------------------------|---|---|-----------------------|
| Federal Grants: | | | | |
| <u>U.S. Department of Transportation</u> | | | | |
| <u>Federal Highway Administration</u> | | | | |
| Passed through N.C. Department of Environment and Natural Resources | | | | |
| Recreation Trails Program | 20.219 | | | |
| <u>U.S. Department of Homeland Security</u> | | | | |
| Passed through N.C. Department of Public Safety | | | | |
| Disaster Grants - Public Assistance | | | | |
| (Presidentially Declared Disasters) | | | | |
| | 97.036 | PA-00989 | - | - |
| State Grants: | | | | |
| <u>N.C. Department of Commerce Rural Economic Development Division</u> | | | | |
| Rural Grants/Programs Building Reuse - Rural Health Care | N/A | UNKNOWN | - | 400,000 |
| Rural Grants/Programs Economic Infrastructure Program | N/A | UNKNOWN | - | 500,000 |
| <u>Golden Leaf Foundation</u> | | | | |
| Economic Catalyst Grant Program | N/A | UNKNOWN | - | 250,000 |
| <u>N.C. Department of Transportation</u> | | | | |
| Powell Bill | N/A | UNKNOWN | - | 393,952 |
| NCDOT Project # ER-2971 G | N/A | UNKNOWN | | 100,000 |
| <u>N.C. Department of Public Instruction</u> | | | | |
| Passed through Alamance-Burlington School System | | | | |
| School Resource Officer | N/A | UNKNOWN | - | 111,303 |
| Total Assistance - State Programs | | | - | 1,755,255 |
| Total assistance | | | \$ - | \$ 1,755,255 |

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

- The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the City of Graham under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. 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 the City of Graham, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Graham.