

**CHEROKEE COUNTY,
MURPHY, NORTH CAROLINA**

Murphy, North Carolina

Basic Financial Statements

June 30, 2008

(with Independent Auditors' Report thereon)

**Cherokee County, North Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008**

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Introductory Section

CHEROKEE COUNTY

Elected Officials

COMMISSIONERS

David Sumpter - Chairman

Jonathan Dickey - Vice-Chairman

Dana Jones – Member

SHERIFF

R. Keith Lovin

REGISTER OF DEEDS

Daphne Dockery

CLERK OF COURT

Gerald Breedlove

Appointed Officials

David Badger - County Manager

Bill Block - Finance Officer

Lynn Shore Tax Administrator

Hugh Carringer - Tax Collector

Lisa Davis – Director of Social Services

Peter Whittaker – Health Director

R. Scott Lindsay - Attorney

FINANCIAL SECTION

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Turner, Ennis, Hatchett & Roberts

CERTIFIED PUBLIC ACCOUNTANTS, P. A.

Independent Auditor's Report

To the Board of County Commissioners
Cherokee County, North Carolina

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 Cherokee County, North Carolina, as of and for the year ended June 30, 2008 which collectively comprise Cherokee County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cherokee County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cherokee County as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2009, on our consideration of Cherokee County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress on page 57 and are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of

The Board of County Commissioners

Page 2

January 13, 2009

management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Cherokee County, North Carolina. The introductory information, combining and individual nonmajor fund financial statements and schedules and the statistical tables, are presented for purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion based on our audit report, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Turner Ennis Hatchett & Roberts

Turner, Ennis, Hatchett & Roberts

Certified Public Accountants, P.A.

January 13, 2009

Management's Discussion and Analysis

As management of Cherokee County, we offer readers of Cherokee County's financial statements this narrative overview and analysis of the financial activities of Cherokee County for the fiscal year ended June 30, 2008

. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

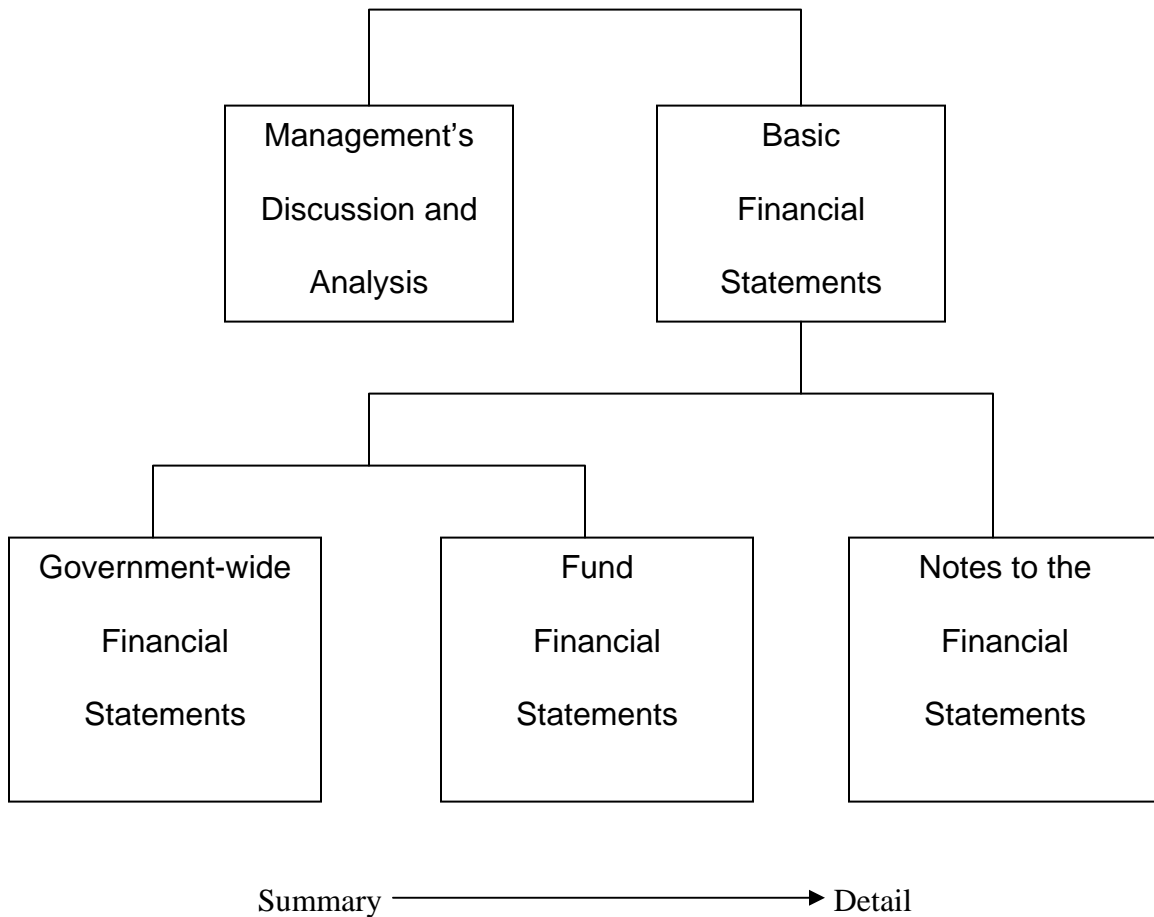
- The assets of Cherokee County exceeded its liabilities at the close of the fiscal year by \$16,478,733 (net assets).
- The government's total assets increased by \$2,118,614 primarily from the construction project at the new detention center.
- Total assets of the County were \$47,048,480.
- As of the close of the current fiscal year, Cherokee County's governmental funds reported combined ending fund balances of \$10,633,152 a decrease of \$6,342,246 in comparison with the prior year.
- Approximately 41 percent of the fund balance, or \$4,342,888, is available for spending at the government's discretion (*unreserved fund balance*), a decrease of \$2,304,502 from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,997,634, a decrease of \$1,469,972 from the prior year. The unreserved fund balance is about 12 % of the total general fund expenditures for the fiscal year.
- Cherokee County issued \$1,000,000 of new debt during the year. The financing was use to finance the new Wellness Center.
- The new Wellness Center and Pool which opened in June 2007 completed the first full year of operations. The operations of the center are reported as an enterprise fund in the County's statements.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, 3) the proprietary fund statements and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-

major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's pension plans.

Government-wide Financial Statements

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

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gage the County's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities 2) business-type activities. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. This includes the new Pool and Wellness Center.

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

Fund Financial Statements

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

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

Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Proprietary Funds – Cherokee County has one kind of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financials statements. Cherokee County uses enterprise fund to account for the Wellness Center. This fund is the same as those separate activities shown in the business-type activities in the Statement of Net Assets.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Cherokee County has four fiduciary funds of which two are trust funds and two agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on pages 31 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Cherokee County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 53 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Cherokee County exceeded liabilities by \$16,478,733 as of June 30, 2008. The County's net assets increased by \$2,631,702 for the fiscal year ended June 30, 2008.

One of the largest portions of net assets \$21,872,153 reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Cherokee County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Cherokee County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

There is a negative unrestricted balance \$7,020,584. This is a result of the County debt for school Construction and water and sewer improvements. The assets, which were acquired, are carried on the books of other governmental units.

Net assets:

Cherokee County's Net Assets

Figure 2

CHEROKEE COUNTY'S NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2006	2007	2006
Current and other assets	\$ 15,808,184	\$ 19,735,840	\$ 92,552	\$ 108,054	\$ 15,900,736	\$ 19,843,894
Internal Balances	6,879	850,701	(6,879)	(850,701)	-	
Capital assets	27,773,420	21,674,759	3,374,324	3,411,213	31,147,744	25,085,972
Total assets	\$ 43,588,483	\$ 42,261,300	\$ 3,459,997	\$ 2,668,566	\$ 47,048,480	\$ 44,929,866
Long-term liabilities outstanding	\$ 23,423,393	\$ 28,236,647	\$ 989,783	\$ -	\$ 24,413,176	\$ 28,236,647
Other liabilities	6,022,531	2,600,628	134,040	245,560	6,156,571	2,846,188
Total liabilities	29,445,924	30,837,275	1,123,823	245,560	30,569,747	31,082,835
Net assets:						
Invested in capital assets, net of related debt	19,497,829	15,298,989	2,374,324	3,436,255	21,872,153	18,735,244
Restricted	1,627,164	7,884,894			1,627,164	7,884,894
Unrestricted	(6,982,434)	(11,759,858)	(38,150)	(1,013,249)	(7,020,584)	(12,773,107)
Total net assets	\$ 14,142,559	\$ 11,424,025	\$ 2,336,174	\$ 2,423,006	\$ 16,478,733	\$ 13,847,031

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

- Continued diligence in the collection of property taxes resulted in an increase in the collection ratio to the highest rate in years, which was over 96% for real property.

Cherokee County Changes in Net Assets Figure 3

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 4,885,929	\$ 4,075,506	\$ 383,469	\$ 25,451	\$ 5,269,398	\$ 4,100,957
Operating grants and contributions	5,261,128	4,999,737			5,261,128	4,999,737
Capital grants and contributions	470,536	1,498,507	66,805	999,058	537,341	2,497,565
General revenues:						
Property taxes	15,457,992	14,646,674			15,457,992	14,646,674
Other taxes	7,214,592	8,370,760			7,214,592	8,370,760
Grants and contributions not restricted to specific programs	711,489	1,037,113			711,489	1,037,113
Other	2,111,229	1,128,452			2,111,229	1,128,452
Total revenues	<u>36,112,895</u>	<u>35,756,749</u>	<u>450,274</u>	<u>1,024,509</u>	<u>36,563,169</u>	<u>36,781,258</u>
Expenses:						
General government	3,524,969	3,472,678			3,524,969	3,472,678
Public safety	10,624,517	8,711,159			10,624,517	8,711,159
Transportation	813,634	1,444,095			813,634	1,444,095
Economic and physical development	755,915	581,624			755,915	581,624
Human services	8,267,846	8,206,742			8,267,846	8,206,742
Cultural and recreation	569,837	525,509	537,106	37,725	1,106,943	563,234
Education	6,490,959	5,399,895			6,490,959	5,399,895
Interest on long-term debt	615,751	772,010			615,751	772,010
Environmental protection	1,730,933	1,646,555			1,730,933	1,646,555
Total expenses	<u>33,394,361</u>	<u>30,760,267</u>	<u>537,106</u>	<u>37,725</u>	<u>33,931,467</u>	<u>30,797,992</u>
Increase (Decrease) in net assets	2,718,534	4,996,482	(86,832)	986,784	2,631,702	5,983,266
Net assets, July 1	<u>11,424,025</u>	<u>6,427,543</u>	<u>2,423,006</u>	<u>1,436,222</u>	<u>13,847,031</u>	<u>7,863,765</u>
Net assets, June 30	<u>\$ 14,142,559</u>	<u>\$ 11,424,025</u>	<u>\$ 2,336,174</u>	<u>\$ 2,423,006</u>	<u>\$ 16,478,733</u>	<u>\$ 13,847,031</u>

Governmental activities. Governmental activities increased the County's net assets by \$2,718,534. Key elements of this change are as follows:

- Increase in the County's charges related to Solid waste, \$862,220 and \$498,596 in higher property taxes.

Business-type activities. Business-type activities decreased the County's net assets by \$86,832. This change was not unexpected during the first year of operations for a new facility.

Financial Analysis of the County's Funds

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

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

Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Cherokee County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,997,634 while total fund balance was \$8,658,761. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12.4 percent of total General Fund expenditures, while total fund balance represents 26.8 percent of that same amount.

At June 30, 2008, the governmental funds of Cherokee County reported a combined fund balance of \$10,633,152 a 33 percent decrease from last year.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund decreased revenues by \$67,697 a less than one percent change and increased expenditure by 1,805,621 a 5.5% increase.

Capital Asset and Debt Administration

Capital Assets. Cherokee County's capital assets for its governmental type activities as of June 30, 2008, totals \$27,773,420 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles. Major capital asset transactions during the year include construction in progress at the airport, the detention center. Others additions are vehicles and equipment.

Cherokee County's Capital Assets

Figure 4

CHEROKEE COUNTY'S CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2006
Land	\$ 4,669,122	\$ 4,669,122	\$ -	\$ -	\$ 4,669,122	\$ 4,669,122
Buildings	13,987,931	2,465,978	3,022,611	3,084,351	\$ 17,010,542	5,550,329
Improvements	6,515,918	6,976,412	250,576		\$ 6,766,494	6,976,412
Equipment	787,527	783,505	96,381	88,138	\$ 883,908	871,643
Computers & Other Electronic Equipmnet	630,437	760,075	4,756	6,662	\$ 635,193	766,737
Vehicles and motorized equipment	803,099	890,022			\$ 803,099	890,022
Construction in progress	380,602	5,129,644	-	232,062	\$ 380,602	5,361,706
Total	\$ 27,774,636	\$ 21,674,758	\$ 3,374,324	\$ 3,411,212	\$ 31,148,960	\$ 25,085,970

Additional information on the County's capital assets can be found in note 5 of the Basic Financial Statements.

Long-term Debt.

Cherokee County's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2007	2007	2008	2006	2008	2007
Installment Purchases	\$ 22,390,539	\$ 25,132,547	\$ 1,000,000	\$ -	\$ 23,390,539	\$ 25,132,547
Capital leases	-	26,852			-	26,852
Other:						
Landfill closure obligations	2,700,185	2,492,203			2,700,185	2,492,203
Vacation payable	541,284	491,051			541,284	491,051
Pension benefit	92,003	76,321			92,003	76,321
					-	-
	<u>\$ 25,724,011</u>	<u>\$ 28,218,974</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 26,724,011</u>	<u>\$ 28,218,974</u>

Cherokee County issued new debt during the year. One loan was for \$1,000,000 which was used to finance the new Wellness center

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt ceiling for Cherokee County is about \$210,292,000.

Additional information regarding Cherokee County's long-term debt can be found in note 5. Beginning on page 50 of this audited financial report.

Budget Highlights for the Fiscal Year Ending June 30, 2008

Governmental Activities: The County's property valuation will continue to increase as new building and development continues. The County is continuing to see a slow down in residential construction with fewer septic and building permits than was the pace in the prior years. Sales tax collections are expected to increase modestly. The County will use the small increases in revenues to finance programs currently in place. The County will have the new jail facility open for the 08-09 fiscal year which will end the necessity of prisoners being housed in out of county facilities..

Budgeted expenditures in the General Fund are expected to rise approximately 7% to \$34,387,151. The largest increments are in employee compensation, including funding compensation and benefits adjustments.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Cherokee County, 75 Peachtree St. Murphy NC 28906.

Basic Financial Statements

Cherokee County, North Carolina
Statement of Net Assets
June 30, 2008

	Primary Government		Total
	Governmental Activities	Business -type Activities	
ASSETS			
Cash and cash equivalents	\$ 9,141,195	\$ 72,539	\$ 9,213,734
Investments	1,705,423		1,705,423
Receivables (net)	2,177,140	20,013	2,197,153
Due from other governments	2,748,911		2,748,911
Internal Balances	6,879	(6,879)	-
Deferred charge - issuance costs	35,515		35,515
Capital assets:			
Land, improvements, and construction in progress	5,049,725		5,049,725
Other capital assets, net of depreciation	22,723,695	3,374,324	26,098,019
Total capital assets	27,773,420	3,374,324	31,147,744
Total assets	43,588,483	3,459,997	47,048,480
LIABILITIES			
Accounts payable and accrued expenses	3,399,919	15,850	3,415,769
Unearned revenue	172,528	71,305	243,833
Accrued interest payable	152,008	36,668	188,676
Long-term liabilities:			-
Due within one year	2,298,076	10,217	2,308,293
Due in more than one year	23,423,393	989,783	24,413,176
Total liabilities	29,445,924	1,123,823	30,569,747
NET ASSETS			
Invested in capital assets, net of related debt	19,497,829	2,374,324	21,872,153
Restricted for:			-
Capital Projects	-		-
Debt Service	1,627,164		1,627,164
Unrestricted (deficit)	(6,982,434)	(38,150)	(7,020,584)
Total net assets	\$ 14,142,559	\$ 2,336,174	\$ 16,478,733

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

Carolina County, North Carolina
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business -type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 3,524,969	\$ 463,855	\$ -		\$ (3,061,114)		(3,061,114)
Public safety	10,624,517	1,592,238	452,467		(8,579,812)		(8,579,812)
Transportation	813,634	402,074	355,400	181,536	125,376		125,376
Economic and physical development	755,915		1,169,902	-	413,987		413,987
Environmental Protection	1,730,933	2,030,419	51,455		350,941		350,941
Human services	8,267,846	397,343	3,154,838	-	(4,715,665)		(4,715,665)
Cultural and recreation	569,837	-	-	-	(569,837)		(569,837)
Education	6,490,959	-	77,066	289,000	(6,124,893)		(6,124,893)
Interest on long-term debt	615,751	-	-	-	(615,751)		(615,751)
Total governmental activities	33,394,361	4,885,929	5,261,128	470,536	(22,776,768)		(22,776,768)
							0
Business- type Activities							0
Wellness Center	537,106	383,469		66,805		(86,832)	(86,832)
Total primary government	33,931,467	5,269,398	5,261,128	537,341	(22,776,768)	(86,832)	(22,863,600)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					15,457,992		15,457,992
Local option sales tax					7,214,592		7,214,592
Other taxes and licenses					711,489		711,489
Grants and contributions not restricted to specific programs					1,453,852		1,453,852
Investment earnings, unrestricted					519,613		519,613
Miscellaneous, unrestricted					137,764		137,764
Total general revenues					25,495,302	-	25,495,302
Change in net assets					2,718,534	(86,832)	2,631,702
Net assets-beginning					11,424,025	2,423,006	13,847,031
Net assets-ending					\$ 14,142,559	\$ 2,336,174	16,478,733

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

**Cherokee County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2008**

Major Funds

	General	Debt Service	Detention Center	Total Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 8,622,718	\$ -	\$ -	\$ 518,477	\$ 9,141,195
Investments	78,259	1,627,164	-	-	1,705,423
Receivables, net:	-	-	-	-	-
Taxes	1,042,826	-	-	132,121	1,174,947
Accounts	783,793	-	-	-	783,793
Due from other governments	2,746,181	-	-	2,730	2,748,911
Due from other Funds	64,447	-	-	-	64,447
Total assets	<u>\$ 13,338,223</u>	<u>\$ 1,627,164</u>	<u>\$ -</u>	<u>\$ 653,328</u>	<u>\$ 15,618,715</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 3,283,508	\$ -	\$ -	\$ 116,412	\$ 3,399,920
Due to other funds	-	-	-	57,568	57,568
Deferred revenue Taxes	1,391,308	-	-	132,121	1,523,429
Unearned revenue	4,647	-	-	-	4,647
Total liabilities	<u>4,679,462</u>	<u>-</u>	<u>-</u>	<u>306,101</u>	<u>4,985,563</u>
Fund balances:					
Reserved for:					
School Capital Outlay	350,387	-	-	-	350,387
Encumbrances	896,920	-	-	1,979	898,899
State statute	3,413,820	-	-	-	3,413,820
Unreserved:					
Designated for subsequent Years' expenditures	-	-	-	-	-
Designated for Health Department	128,573	-	-	-	128,573
Designated for Law Enforcement	150,291	-	-	-	150,291
Designated for Debt Service	-	1,627,164	-	-	1,627,164
Designated for School Capital Outlay	1,055,517	-	-	-	1,055,517
Undesignated	2,663,253	-	-	345,248	3,008,501
Total fund balances	<u>8,658,761</u>	<u>1,627,164</u>	<u>-</u>	<u>347,227</u>	<u>10,633,152</u>
Total liabilities and fund balances	<u>\$ 13,338,223</u>	<u>\$ 1,627,164</u>	<u>\$ -</u>	<u>\$ 653,328</u>	<u>\$ 15,618,715</u>

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

Exhibit 3.1

**Cherokee County, North Carolina
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2008**

Total Fund Balances for Governmental Funds (Exhibit 3)	<u>10,633,152</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	27,773,420
	-
Deferred Costs of loans are not financial resources and therefore are not reported in the funds	35,515
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	218,400
Liabilities for earned but deferred revenues in fund statements.	1,355,548
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds (Note 4).	(25,873,476)
Net assets of governmental activities	<u>\$ 14,142,559</u>

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

Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2008

	<u>Major Funds</u>				Total Non-Major Funds	Total Governmental Funds
	General Fund	Debt Service	Detention Center	Center		
REVENUES						
Ad valorem taxes	\$ 13,584,526		\$ -		\$ 1,449,772	\$ 15,034,298
Local option sales tax	7,214,592					7,214,592
Other taxes and licenses	495,309				250,306	745,615
Unrestricted intergovernmental	1,453,852				-	1,453,852
Restricted intergovernmental	4,177,662				1,571,908	5,749,570
Restricted Other	-				3,470	3,470
Permits and fees	2,158,727					2,158,727
Sales and services	2,671,700				-	2,671,700
Investment earnings	303,189	54,290		146,899	15,235	519,613
Miscellaneous	142,508				-	142,508
Total revenues	<u>32,202,065</u>	<u>54,290</u>		<u>146,899</u>	<u>3,290,691</u>	<u>35,693,945</u>
EXPENDITURES						
Current:						
General government	3,197,310				340,081	3,537,391
Public safety	8,325,458			6,122,127	1,600,153	16,047,738
Transportation	637,940				203,035	840,975
Economic and physical development	563,002				1,149,484	1,712,486
Environmental Protection	1,282,028				-	1,282,028
Human services	8,157,395				-	8,157,395
Cultural and recreational	564,204				-	564,204
Education	6,192,803				298,156	6,490,959
Principal retirement	2,749,602				-	2,749,602
Interest and other charges	653,413				-	653,413
Total Expenditures	<u>32,323,155</u>	<u>-</u>		<u>6,122,127</u>	<u>3,590,909</u>	<u>42,036,191</u>
Excess (deficiency) of Revenues over Expenditures	<u>(121,090)</u>	<u>54,290</u>		<u>(5,975,228)</u>	<u>(300,218)</u>	<u>(6,342,246)</u>
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	4,546	383,561		174,890	139,666	702,663
Transfers to other funds	(698,117)				(4,546)	(702,663)
Debt issued	-				-	-
Total other financing sources (uses)	<u>(693,571)</u>	<u>383,561</u>		<u>174,890</u>	<u>135,120</u>	<u>-</u>
Net change in fund balance	<u>(814,661)</u>	<u>437,851</u>		<u>(5,800,338)</u>	<u>(165,098)</u>	<u>(6,342,246)</u>
Fund balances-beginning	9,743,422	1,189,313		5,800,338	512,325	17,245,398
Fund balances-ending	<u>\$ 8,928,761</u>	<u>\$ 1,627,164</u>		<u>\$ -</u>	<u>\$ 347,227</u>	<u>\$ 10,903,152</u>

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

Cherokee County, North Carolina
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2008

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

Net changes in fund balances - total governmental funds	\$ (6,342,246)
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.	6,098,660
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred taxes	423,694
Accrued Interest Payable decrease	40,921
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,768,858
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:	
Accrued Paid time off	(47,689)
Landfill Closure Cost	(207,982)
Pension Accrual	(15,682)
Total changes in net assets of governmental activities	\$ 2,718,534

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

Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 13,507,718	\$ 13,507,718	\$ 13,584,526	\$ 76,808
Local option sales tax	7,703,043	7,103,043	7,214,592	111,549
Other taxes and licenses	159,609	456,224	495,309	39,085
Unrestricted intergovernmental	936,000	1,536,000	1,453,852	(82,148)
Restricted intergovernmental	3,933,387	4,540,219	4,177,662	(362,557)
Permits and fees	2,544,131	2,419,351	2,158,727	(260,624)
Sales and services	2,862,123	2,037,058	2,671,700	634,642
Investment earnings	321,327	321,327	303,189	(18,138)
Miscellaneous	156,731	135,432	142,508	7,076
Total revenues	<u>32,124,069</u>	<u>32,056,372</u>	<u>32,202,065</u>	<u>145,693</u>
Expenditures				
Current:				
General government	3,870,024	3,619,916	3,197,310	422,606
Public safety	7,806,264	8,942,137	8,325,458	616,679
Transportation	646,744	691,573	637,940	53,633
Economic and physical development	628,886	596,513	563,002	33,511
Environmental Protection	1,468,772	1,591,229	1,282,028	309,201
Human services	8,485,558	8,591,151	8,157,395	433,756
Cultural and recreational	555,377	586,970	564,204	22,766
Intergovernmental:				
Education	5,489,413	6,181,170	6,192,803	(11,633)
Debt service:				
Principal retirement			2,749,602	
Interest and other charges			653,413	
Total Debt Service	3,447,804	3,403,804	3,403,015	789
Total expenditures	<u>32,398,842</u>	<u>34,204,463</u>	<u>32,323,155</u>	<u>1,881,308</u>
Revenues over (under) expenditures	<u>(274,773)</u>	<u>(2,148,091)</u>	<u>(121,090)</u>	<u>2,027,001</u>
Other financing sources (uses):				
Contingency		-	-	-
Use of Fund Balance	-	2,220,484	-	(2,220,484)
Transfers from other funds	-	24,969	4,546	(20,423)
Transfers to other funds	(600,227)	(1,017,486)	(698,117)	319,369
Installment purchase obligations issued	875,000	920,124	-	(920,124)
Total other financing sources (uses)	<u>274,773</u>	<u>2,148,091</u>	<u>(693,571)</u>	<u>(2,841,662)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (814,661)</u>	<u>\$ (814,661)</u>
Fund balances:				
Beginning of year			9,743,422	
End of year, June 30			<u>\$ 8,928,761</u>	

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

Cherokee County, North Carolina
Statement of Net Assets
Pool and Wellness Center
Proprietary Fund
June 30, 2008

ASSETS

Current assets:

Cash and cash equivalents	\$ 72,539
Accounts Receivable	20,013
Total current assets	<u>92,552</u>

Noncurrent assets:

Capital assets:

	-
Other capital assets, net of depreciation	3,374,324
Total capital assets	<u>3,374,324</u>
Total noncurrent assets	<u>3,374,324</u>
Total assets	<u>3,466,876</u>

LIABILITIES

Current liabilities:

Accounts payable	8,583
Accrued Interest Payable	36,668
Customer deposits	71,305
Current Portion of Long Term Debt	10,217
Due to Other Funds	6,879
Total current liabilities	<u>133,652</u>

Noncurrent liabilities:

Liabilities payable from restricted
assets:

Long Term Debt(less Current portion)	989,783
Compensated Absences	7,267
Total noncurrent liabilities	<u>997,050</u>
Total liabilities	<u>1,130,702</u>

NET ASSETS

Invested in capital assets, net of related debt	2,374,324
Unrestricted	(38,150)
Total net assets	<u>\$ 2,336,174</u>

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

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Exhibit 7

Cherokee County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Pool and Wellness Center
Proprietary Fund
For the Year Ended June 30, 2008

OPERATING REVENUES	
Membership & Fees	\$ 383,469
Total operating revenues	<u>383,469</u>
OPERATING EXPENSES	
Salaries & Employee Benefits	210,241
Supplies	31,706
Travel	3,873
Utilities	110,568
Maintenance	9,180
Interest	36,668
Other	24,453
Advertising	4,959
Small non capitalized equipment	18,065
Depreciation	87,393
Total operating expenses	<u>537,106</u>
Operating income (loss)	<u>(153,637)</u>
NONOPERATING REVENUES (EXPENSES)	
Income (loss) before contributions and transfers	<u>(153,637)</u>
Capital contributions	<u>66,805</u>
Change in net assets	(86,832)
Total net assets, beginning	<u>2,423,006</u>
Total net assets, ending	<u>\$ 2,336,174</u>

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

Cherokee County, North Carolina
Statement of Cash Flows
Pool and Wellness Center
Enterprise Fund
For The Fiscal Year Ended June 30, 2008

Cash flows from operating activities:	
Cash received from customers	\$ 372,429
Cash paid for goods and services	(357,434)
Cash paid to employees for services	(202,974)
Net cash provided by operating activities	<u>(187,979)</u>
Cash flows from noncapital financing activities	
Repayment of Advance from General Fund	<u>(843,824)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(50,505)
Issuance of long Term Debt	1,000,000
Increase in Accounts Receivable-Grants	(20,013)
Capital contributions	<u>66,805</u>
Net cash used by capital and related financing activities	<u>996,287</u>
Net increase (decrease) in cash and cash equivalents	(35,516)
Cash and cash equivalents, beginning	<u>108,055</u>
Cash and cash equivalents, ending	<u><u>\$ 72,539</u></u>

The notes are an integral part of this statement

	Pool and Wellness Center <u>Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (Loss)	\$ <u>(153,637)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	87,393
Changes in assets and liabilities:	
Increase (decrease) in customer deposits	(11,040)
Decrease in Accounts Payable	(154,630)
Increase in Compensated absences	7,267
Increase in accrued Interest	36,668
Total adjustments	<u>(34,342)</u>
Net cash provided by operating activities	<u><u>(\$187,979)</u></u>

The notes are an integral part of this statement

**Cherokee County, North Carolina
Statement of Fiduciary Net Assets
For the Year Ended June 30, 2008**

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 317,454
LIABILITIES AND NET ASSETS	
Liabilities:	
Miscellaneous Liabilities	\$ 308,987
Intergovernmental Payables	8,467
Total liabilities	317,454
 Net Assets	 \$ -

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

Cherokee County, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2008

I. Summary of Significant Accounting Policies.

The accounting policies of Cherokee County (County) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity - The County, which is governed by a three-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10 (hereinafter references to the North Carolina General Statutes will be cited as G.S).

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type*-activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. 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 each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, enterprise, and fiduciary* – are presented. The emphasis of

fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

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. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating items such as investment earnings are ancillary activities.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Detention Center Capital Fund. This fund accounts for the construction of a new detention facility and Sheriff's offices.

Debt Service Fund. This fund accounts for funds used for the payment of debt obligations.

The County reports the following major Enterprise fund:

The Cherokee County Pool and Wellness Center. This fund is used to account for the operation of the fitness and recreation center.

The County reports the following fund types:

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Cherokee County Board of Education; the Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for the two municipalities in the County; the Sheriff trust fund which accounts for funds collected by the sheriff as an agent and for funds held for prisoners of the county detention facility.

Measurement Focus, Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 County enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund 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 nonoperating 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 County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Cherokee County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. For motor vehicles that are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered

annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2008 because they are intended to finance the County's operations during the 2009 fiscal year.

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

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

All governmental activities of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone, Fire District, and Revaluation Special Revenue Fund, the Bear Paw Service District and the Debt Service Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Sheriff's Community Grant Fund, the Scattered Housing Special Fund, and the Capital Projects Funds.

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 object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund. The governing board must approve all amendments. 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.

D. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the County, to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The County investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

2. Cash and Cash Equivalents

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

3. Restricted Cash

The county had not restricted cash as of June 30, 2008

4. Ad Valorem Taxes Receivable - In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2007.

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

7. Capital Assets

CHEROKEE COUNTY, NC Notes to Basic Financial Statements

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are \$5,000 for land, buildings, improvements, furniture and equipment, and vehicles. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

	Years
Buildings	50
Improvements	10-25
Furniture and equipment	10
Vehicles	4
Computer & Electronic equipment	4

8. Long-term Obligations

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

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

9. Compensated Absences

The vacation policies of the County provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policy of the County 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 County does not have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County.

10. Net Assets/Fund Balances

Net Assets

Net assets in government-wide fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved for School Capital Outlay – The portion of sales taxes required to be used for school capital outlay that has not been expended.

Reserved for encumbrances - portion of fund balance available to pay for any commitments related to purchase orders and contracts that remain unperformed at year-end.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables that are not offset by deferred revenues.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2008-2009 budget ordinance.

Designated for Health Department – Portion of fund balance designated for future health department purposes.

Designated for Schools – Portion of fund balances designated for future school capital outlay.

Designated for Law Enforcement – Portion of fund balance designated for future law enforcement expenditures.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

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

1. Noncompliance with North Carolina General Statutes

The County's investment in a money market fund is not in accordance with State law. State law [G.S. 159-30] specifies the types of investments allowed. The Money Market fund is specified under a Forward Delivery Agreement between Cherokee County, US National Bank and Bank of America for funds held in the debt service fund for the QZAB note payable. The County will work with Bank of America to find an alternative investment.

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance: The School Improvement Fund had a deficit balance at June 30, 2008 because the loans that financed the school projects did not close until after June 30, 2008. The loans were finalized on August 15, and September 19, 2008.

III. Detail Notes on All Funds

A. Assets**1. Deposits**

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

At June 30, 2008, the County's deposits had a carrying amount of \$9,528,543 and a bank balance of \$9,712,490. Of the bank balance, \$622,223 was covered by federal depository insurance, and \$8,906,320 in deposits was covered by collateral held under the Pooling Method.

At June 30, 2008, Cherokee County had \$2,645 cash on hand.

2. Investments

The County's investments are categorized to give an indication of the level of custodial risk assumed by the entity at year-end. In the following table, Column A includes investments that are insured or registered or for which the securities are held by the County or their agents in the entity's name. Column B includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the County's. Column C includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the County's name. The County's, investments in the North Carolina Capital Management Trust are exempt from risk categorization because the County does not own any identifiable securities in these mutual funds. At June 30, 2008, the County's investment balances were as follows:

Investment Type	Fair Value	Less than 6 Months
Commercial Paper	\$ 970,143	\$ 970,143
First American Treasury Obligations Fund Class A	657,021	657,021
NC Capital Management Trust: Cash Portfolio	78,259	N/A
TOTAL	\$ 1,705,423	\$ 1,627,164

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County had no formal policy on managing credit risk. As of June 30, 2008, the County's investments in commercial paper were rated A-1+ by Standard & Poor's, and P-1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAA by Standard & Poor's AND Aaa by Moody's Investor Services as of June 30, 2008.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's \$657,021 investment in commercial paper is uninsured and unregistered investment for which the securities are held by the counterparty, or by its trust department but not in the County's name. The County had no policy on custodial credit risk.

Concentration of Credit Risk. The County places no limit on the amount that the County may invest in any one issuer. More than 95 percent of the County's investments are in Enterprise Funding Co commercial paper and the First American Treasury Obligations Fund Class A securities. These investments are 39% and 56% respectively of the County's total investments.

The First American Treasury Obligations Fund is the specified money market fund in the Forward Delivery Agreement between Cherokee County, US Bank and Bank of America. The forward delivery agreement is part of the installment financing agreement for the QZAB loans with Bank of America.

3. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
2004	\$ 376,572	\$ 101,674	\$ 478,246
2005	381,894	68,741	450,635
2006	375,340	33,781	409,121
2007	400,349	-	400,349
Total	\$ 1,534,155	\$ 204,196	\$ 1,738,351

4. Receivables

Receivables at the government-wide level at June 30, 2008, were as follows:

	Accounts	Taxes	Due from Other Governments	Total
Governmental Activities:				
General	\$ 1,069,372	\$ 1,287,917	\$ 2,746,181	\$ 5,103,470
Other Governmental		132,121	2,730	134,851
Total receivables	1,069,372	1,420,038	2,748,911	5,238,321
Allowance for doubtful accounts	(67,179)	(245,091)	-	(312,270)
 Total-governmental activities	 \$ 1,002,193	 \$ 1,174,947	 \$ 2,748,911	 \$ 4,926,051

The due from other governments that is owed to the County consists of the following:

State of NC Local Option Sales Tax	2,092,579
State of NC - Other	332,542
USA	195,344
Other Governments	44,994
TVA	83,452
Total	2,748,911

5. Capital Assets

Primary Government

Capital Asset activity for the year ended June 30, 2008 was as follows:

Governmental Activities:

	Beginning Balances	Increases	Transfer	Decreases	Ending Balances
Capital assets not being depreciated:					
Land	\$ 4,669,122	\$ -	\$ -	\$ -	\$ 4,669,122
Construction in progress	5,129,644	360,492	(5,109,533)		380,602
Total capital assets not being depreciated	<u>9,798,766</u>	<u>360,492</u>	<u>(5,109,533)</u>	<u>0</u>	<u>5,049,724</u>
Capital assets being depreciated:					
Buildings	4,963,957	6,615,181	5,109,533		16,688,672
Other Improvements	9,610,525	17,632			9,628,157
Equipment	1,565,718	124,218			1,689,936
Computers & other Electronic Equipment	2,523,569	211,813		29,951	2,705,430
Vehicles and motor equipment	3,012,301	309,964		261,421	3,060,845
Total capital assets being depreciated	<u>21,676,069</u>	<u>7,278,809</u>	<u>5,109,533</u>	<u>291,372</u>	<u>33,773,040</u>
Less accumulated depreciation for:					
Buildings	2,497,979	202,762			2,700,741
Other improvements	2,634,113	478,126			3,112,239
Equipment	782,213	120,196			902,409
Computers & other Electronic Equipment	1,763,494	337,926		26,427	2,074,993
Vehicles and motor equipment	2,122,277	396,889		260,204	2,258,963
Total accumulated depreciation	<u>9,800,077</u>	<u>1,535,899</u>	<u>-</u>	<u>286,631</u>	<u>11,049,345</u>
Total capital assets being depreciated, net	<u>11,875,993</u>				<u>22,723,695</u>
Governmental activity capital assets, net	<u>\$ 21,674,758</u>				<u>\$ 27,773,419</u>

Business Type activities:

	Beginning Balances	Increases	Transfer	Decreases	Ending Balances
Business Type Activities					
Capital assets not being depreciated:					
Construction in progress	\$ 232,063		\$ (232,063)	\$ -	\$ -
Total capital assets not being depreciated	232,063	-	(232,063)	-	-
Capital assets being depreciated:					
Buildings	3,087,019				3,087,019
Other Improvements	-	31,461	232,063		263,524
Equipment	92,776	19,044		-	111,820
Computers & other Electronic Equipment	7,613				7,613
Total capital assets being depreciated	3,187,409	50,505	232,063	-	3,469,977
Less accumulated depreciation for:					
Buildings	2,668	61,740			64,408
Other improvements	-	12,948			12,948
Equipment	4,639	10,802			15,440
Computers & other Electronic Equipment	952	1,903			2,855
Total accumulated depreciation	8,258	87,393	-	-	95,651
Total capital assets being depreciated, net	3,179,150				3,374,326
Governmental activity capital assets, net	\$ 3,411,213				\$ 3,374,326

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

Construction commitments

Governmental Activities:

General government	\$ 166,980
Public safety	609,624
Transportation	240,585
Economic and physical development	20,307
Human services	144,094
Environmental Protection	322,821
Cultural and recreational	31,488
Total depreciation expense	<u>\$ 1,535,899</u>

The County has active construction projects as of June 30, 2008. The projects include, the airport, and. At June 30, 2008, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Airport Improvements	\$ 218,386	\$ 222,222
Finance	156,801	114,391
Other	5,415	
Total	<u>\$ 380,602</u>	<u>\$ 336,613</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2008, were as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General	\$ 2,171,815	\$ 1,111,693	\$ 3,283,508
Other Governmental	116,238	174	116,412
Total-governmental activities	\$ 2,288,053	\$ 1,111,867	\$ 3,399,920

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. Cherokee County contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.97% and 4.86%, respectively, of annual covered payroll. The contribution requirements of members and of Cherokee County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2008, 2007, and 2006 were \$455,367, \$403,468, \$, and \$368,943 respectively. The contributions made by the County equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2006, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>30</u>
Total	<u>30</u>

2. Summary of Significant Accounting Policies:

Basis of Accounting. Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Investments are reported at fair value. Short-term money market debt instruments, deposits, and repurchase agreements, are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price. At June 30, 2008 there were no investments.

3. Contributions.

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on a pay as you go basis through appropriations

CHEROKEE COUNTY, NC Notes to Basic Financial Statements

made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

The annual required contribution for the fiscal year ended June 30, 2008 was determined as part of the December 31, 2006 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases of 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2006 was 24 years.

Employer annual required contribution	\$	14,839
Interest on net pension obligation		5,533
Adjustment to annual required contribution		(4,690)
Annual pension cost		15,682
Employer contributions made for fiscal year ending 6-30-2008		-
Increase in net pension obligation		15,682
Net pension obligation at beginning of year		76,321
Pension obligation at end of fiscal year	\$	92,003

3 Year Trend Information

Fiscal	Annual Pension	Percentage of Net Pension	Net Pension
Year Ended	<u>Cost (APC)</u>	APC Contributed	Obligation
6/30/2006	\$12,742	00%	\$ 62,651
6/30/2007	\$13,607	00%	\$ 76,321
6/30/2008	\$15,862	00%	\$ 92,003

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law

enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2008 were \$58,238, which consisted of \$51,883 from the County and \$6,355 from the law enforcement officers.

d. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

e. Registers of Deeds' Supplemental Pension Fund

Plan Description. Cherokee County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2008, the County's required and actual contributions were \$9,804.

f. Other Postemployment Benefits - Cherokee County

According to a County resolution, the County provides health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least thirty years of creditable service with the County. The County pays the cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the County's group rates. Currently two retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2008, the County paid \$24,750 for postretirement health benefit premiums. The County self funds health care coverage, and provides stop loss protection through private insurers.

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2008, the County made contributions to the State for death benefits of \$13,872. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 90% and 10% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

2. Closure and Post closure Care Costs – Cherokee County Landfill Facility

State and federal laws and regulations require the County to place a final cover on its Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,700,184 as landfill closure and post closure care liability at June 30, 2008 represents a cumulative amount reported to-date based on the use of 77.4 percent of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post closure care of \$607,143 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2006. The County expects to close the landfill facility in approximately 2030. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that helps determine if a unit is financially able to meet closure and post closure care requirements. However if, additional post closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or by future tax revenues.

3. Deferred / Unearned Revenues

The balance in deferred or unearned revenue on the fund statements and unearned revenues on the government wide statements at year-end is composed of the following elements:

	Unearned or Deferred Revenue	Full Accrual Unearned Revenue
Governmental Activities:		
Prepaid taxes not yet earned	\$ 167,881	\$ 167,881
Grants received not yet earned	4,647	4,647
Taxes receivable (net)	1,355,549	
Total	<u>\$ 1,528,076</u>	<u>\$ 172,528</u>
Business Type Activities:		
Unearned Memberships	<u>\$ 71,305</u>	<u>\$ 71,305</u>

4. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$5 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, worker’s compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2million limit for liability coverage, \$600,000 aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers’ compensation. For medical and dental insurance, the county is reinsured through the pool for individual losses in excess of \$50,000 and aggregate annual losses in excess of 115% of expected claims. The pool is reinsured through a commercial carrier for individual losses in excess of \$100,000.

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

The County does not carry flood insurance.

5. Long-Term Obligations

- a. Capital Leases-None

Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2008:

CHEROKEE COUNTY, NC Notes to Basic Financial Statements

Compensated absences typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that

	Balance			Balance		Current
	June 30, 2007	Increases	Decreases	June 30, 2008	Portion of	
					Balance	
Installment purchases	\$ 25,132,546	\$ -	\$ 2,742,007	\$ 22,390,539	\$ 2,298,076	
Capital Lease	26,852		26,852	-		
Landfill closure costs	2,492,203	207,982		2,700,185		
Vacation payable	491,051	383,906	333,673	541,284		
Pension benefit obligation	76,321	15,682		92,003		
Total	\$ 28,218,973	\$ 607,570	\$ 3,102,532	\$ 25,724,011	\$ 2,298,076	

employees are taking leave time as it as earned

Governmental Activities:

Business Type Activities:

As authorized by State law [G.S.160A-20 and 153A-158.1], the County financed various property acquisitions for use by Cherokee County Board of Education by installment purchase. The installment purchase was issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with Cherokee County Board of Education that transfers the rights and responsibilities for maintenance and insurance of the property to the Board of Education. The lease calls for nominal annual lease payments and also contains a bargain purchase option. The lease term is the same as that of the installment purchase obligation. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded by the Board of Education.

	Balance			Balance		Portion of
	June 30, 2007	Increases	Decreases	June 30, 2008	Balance	
Installment purchases	\$ -	\$ 1,000,000		\$ 1,000,000	\$ 10,217	

b. Installment Purchases

The county has used installment purchases for equipment, vehicles, and software, and buildings, and water Improvements.

The following table summarizes the annual requirements to amortize the installment purchase debt outstanding at June 30, 2008.

Business Type:

	June 30, 2007	Additions	Retirements	June 30, 2008
Installment purchase \$1,000,000 annual payments of \$51,467 including interest at a rate of 4.25% through Septemer 2047, issued 9-6-07 for Wellness Center.	\$ -	\$ 1,000,000.00	\$0	\$1,000,000

	June 30, 2007	Additions	Retirements	June 30, 2008
Installment purchase \$9,800,000, 30 semi-annual payments of \$446,541 including interest at an annual rate of 3.79% through August 2011 issued 8-16-98 for schools.	\$3,663,108		\$761,397	\$2,901,711
Installment purchase \$35,000, 180 monthly payments of \$334 including interest at an annual rate of 8.0% through April 2011 issued 4-04-96 for industrial park land.	13,212		3,068	10,144
Installment purchase \$3,680,000, 30 semi-annual payments of \$163,122 including interest at an annual rate of 3.83% through June 2013 issued 6-04-98 for Schools 33% Sewer Improvements 66%	1,734,107		262,315	1,471,792
Installment purchase \$1,300,000, 20 semi-annual payments of \$79,699 including interest at an annual rate of 3.27% through August 2007 issued 7-30-97 for water improvements	77,974		77,974	-
Installment purchase \$1,500,000, 12 semi-annual payments of \$125,000 plus interest at an annual rate of 3.32% through December 2009, issued 12-17-03 for landfill cell construction	624,988		250,000	374,988
Installment purchase 2,170,312, 16 quarterly payments of \$135,645 plus interest at an annual rate of 2.74% through December 2007 issued 12-17-03 for School Land 9%, Equipment 67%, Landfill construction refinancing 24%	271,072		271,072	-
Installment purchase \$555,000, 8 semi annual payments of \$75,295 including interest at an annual rate of 3.71% through February 2011 issued 2-28-07 for equipment and software	555,000	-	131,196	423,804
Installment purchase \$278,800, 60 quarterly payments of \$6,663, including interest at an annual rate of 5.07% through June 2016 issued 6-21-01 for office bldg.	191,676		17,262	174,414

	June 30, 2007	Additions	Retirements	June 30, 2008
Installment purchase \$310,000, 8 annual payments of \$46,522, including interest at an annual rate of 4.25% through May 2013 issued 5-27-05 for vehicles.	141,889		141,889	-
Installment purchase \$1,750,000, 32 semi annual principal payments of \$58,333 plus including interest at an annual rate of 4.33% through June 2017 issued 12-17-02 for schools	1,224,999		116,667	1,108,332
QZAB Installment purchase, 1 payments of \$3,250,000, on December 18, 2016 at 0% interest, issued 12-18-02 for schools annual debt service payment \$174,735.	3,250,000			3,250,000
QZAB Installment purchase, 1 payments of \$3,500,000, on July 16, 2018 at 0% interest, issued 7/16/04 for Schools annual debt service payment \$208,825	3,500,000			3,500,000
Installment purchase, Authorized 862,835, 30 annual payments of \$43,142 plus interest at an annual rate of 2.205% through Nov. 2025 issued 5-6-06 for water improvements.	537,232	-	28,275	508,957
Installment purchase 81,617, 4 annual payments of \$22816 including interest at an annual rate of 5.608% through August 2009 issued 12-29-05 for software.	61,444	-	19,371	42,073
Installment purchase \$172,300, 10 annual payments of \$21,317 including interest at an annual rate of 4.07% through April 2017. Issued 4-17-06 for Rescue Squad Vehicle.	157,995	-	14,887	143,108
Installment purchase \$450,000, 30 annual payments of \$30,000 plus interest at an annual rate of 4.03% through March 2021, issued 3-10-06 for schools.	420,000	-	30,000	390,000
Installment purchase \$2,249,500, 30 semi annual payments of \$74,983, plus interest at an annual rate of 4.1% through July 2021, issued 7-21-06 for Sheriff's Office	2,174,517	-	149,967	2,024,550
Installment purchase \$7,000,000, 30 semi annual payments of \$233,333, plus interest at an annual rate of 3.49% through March 2021, issued 3-30-06 for Detention Center	6,533,333	-	466,667	6,066,666
	\$25,132,546	\$0	\$2,742,007	\$22,390,539

Current Maturities on
Outstanding Debt

Yr	Governmental Activities			Business Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
6/30/2009	2,298,076	570,082	2,868,158	10,217	41,250	51,467
6/30/2010	2,221,979	482,908	2,704,887	10,639	40,829	51,468
6/30/2011	2,124,259	400,047	2,524,306	11,077	40,390	51,467
6/30/2012	1,573,689	320,153	1,893,842	11,534	39,933	51,467
6/30/2013	1,149,061	268,245	1,417,306	12,010	39,457	51,467
June 2014-2018	10,782,392	818,730	11,601,122	67,904	189,432	257,336
June 2019-2023	2,156,257	158,178	2,314,435	83,113	174,223	257,336
June 2024-2028	84,826	3,741	88,567	101,729	155,607	257,336
June 2029-2033	-	-	-	691,777	317,566	1,009,343
	<u>22,390,539</u>	<u>3,022,084</u>	<u>25,412,623</u>	<u>1,000,000</u>	<u>1,038,687</u>	<u>2,038,687</u>

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2008, consists of the following:

From the General Fund to the Debt Service fund to accumulate funds to retire QZAB debt.	(383,561)
From the General fund to the Airport improvement Fund to accumulate resources for the construction of airport improvements.	(16,666)
From the General Fund to the Revaluation Fund to provide resources for the next property revaluation .	(100,000)
From the General Fund to the 911 Fund to provide operating support.	(23,000)
From the General Fund to the Jail Capital Projects Fund to provide addiotnal support.	(174,890)
From the Technology Center Fund to the General Fund to provide future support.	4,546
	<u>(693,571)</u>

Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2008 is as follows:

Receivable Entity	Payable Entity	Due From	Due to
General Fund		\$ 64,447	\$
	Pool & Wellness Center		6,879
	Scattered Sites		6

CHEROKEE COUNTY, NC Notes to Basic Financial Statements

School Improvements		54,879	
Sheriff's Community Grant	-	2,683	
Total	\$	64,447	\$
		64,447	

The general fund advanced the Pool & Wellness Fund and the Detention Fund money during construction. The advances were subsequently repaid with proceeds from a long term financing.

IV. Related Organization

V. Joint Ventures

1. Nantahala Regional Library - The County participates in a joint venture to operate the Nantahala Regional Library with two other local governments. The County appoints three members to the board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating government's continued funding. None of the participating governments has any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2008. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$160,000 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's office at 101 Blumenthal Street, Murphy, NC, 28906.

2. Smoky Mountain Center for Mental Health Developmental Disability and Substance Abuse Service - The County participates in a joint venture to operate the Smoky Mountain Center for Mental Health Developmental Disability and Substance Abuse Services with six other local governments. The County appoints one member to the board of the Center. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating government's continued funding. None of the participating governments has any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2008. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$71,500 to the Center to supplement its activities. Complete financial statements for the Center can be obtained from the Center's offices at P. O. Box 280, Dillsboro, NC, 28725.

VI. Jointly Governed Organization

The County, in conjunction with seven other counties and sixteen municipalities, established the Southwestern Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$24,522 to the Council during the fiscal year ended June 30, 2008. The County was the sub recipient of a grant for

\$313,755 from the Division of Aging of the North Carolina Department of Human Resources, which was passed through the Commission.

The County, in conjunction with five other counties, established the Nantahala Aids Consortium, Inc. The participating governments established and incorporated the Consortium to arrange and provide out-patient health and support services to people living with HIV and their families. Each participating government’s health director is also a director for the Consortium.

VII. Benefit Payments Issued by the State

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

	Federal	State
Temporary Assistance for Needy Families	\$ 43,794	\$ -
Medicaid	21,701,729	11,361,132
WIC	634,910	
Food Stamp Program	2,457,136	-
Payments to Elderly and Disabled	-	235,463
Adoption Assistance	94,343	26,862
Energy Assistance	80,278	-
Total	\$ 25,012,190	\$ 11,623,457

VIII. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant 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.

**Required
Supplemental Financial Data**

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

Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance, and Notes to the Required Schedules
for the Law Enforcement Officers' Special Separation Allowance

Cherokee County, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
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)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2002	\$ -	\$ 41,301	41,301	0.00%	\$ 550,543	7.50%
12/31/2003	\$ -	\$ 38,894	38,894	0.00%	\$ 569,554	6.83%
12/31/2004	\$ -	\$ 47,780	47,780	0.00%	\$ 672,611	7.10%
12/31/2005	\$ -	\$ 58,320	58,320	0.00%	\$ 772,323	7.55%
12/31/2006	\$ -	\$ 77,485	77,485	0.00%	\$ 804,843	9.63%
12/31/2007	\$ -	\$ 96,898	96,898	0.00%	\$ 1,063,987	9.11%

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	12/31/2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	23 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5% to 12.3%
*Includes inflation at	3.75%
Cost-of living adjustments	N/A

General Fund

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 13,440,284	\$
Penalties and interest		144,242	
Total	<u>13,507,718</u>	<u>13,584,526</u>	<u>76,808</u>
Local option sales taxes:			
Article 39 one percent		2,990,003	
Article 40 one - half of one percent		1,470,093	
Article 42 one - half of one percent		1,456,684	
Article 44 one - half of one percent		1,297,812	
Total	<u>7,103,043</u>	<u>7,214,592</u>	<u>111,549</u>
Other taxes and licenses:			
Deed stamp excise tax		270,526	
Car Rental Tax		6,834	
Occupancy Tax		127,484	
Franchise Tax		53,671	
State and Federal Drug Tax		34,361	
Civil licenses		2,433	
Total	<u>456,224</u>	<u>495,309</u>	<u>39,085</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes-outside sources		1,161,008	
NC Medicaid Hold harmless payments		277,430	
Fuel tax reimbursements		15,414	
Total	<u>1,536,000</u>	<u>1,453,852</u>	<u>(82,148)</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Restricted intergovernmental:			
Victims Advocate Grant	\$	\$	\$
Social Services		1,948,175	
Senior Center		231,389	
Transportation		223,640	
Transportation- ROAP		131,760	
Criminal Justice Grant		56,808	
Other Grants		398,047	
US Forest Serv. Timber Receipts		77,066	
Health Dept. Medicaid		102,496	
Health Dept. state revenues		662,336	
Health Dept. grants		12,740	
White goods tax grant		7,908	
Tire Disposal tax grant		43,547	
Juvenile Crime Prevention		88,425	
Public School Build. Capital Fund		125,000	
Court facility fees		55,502	
ABC bottles taxes		12,823	
Total	<u>4,540,219</u>	<u>4,177,661</u>	<u>(362,558)</u>
Permits and fees:			
Building permits & inspections		299,442	
Landfill user fees		1,161,293	
Register of deeds		256,994	
Fire inspections		4,705	
Fire arms permits		16,581	
Water & Septic permits		419,712	
Total	<u>2,419,351</u>	<u>2,158,727</u>	<u>(260,624)</u>
Sales and services:			
Rents		51,545	
Landfill tipping fees		449,414	

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Sales and Services continued:			
Health Dept. Fees	\$	\$ 397,343	\$
Transportation fees		402,074	
Election fees		8,982	
Sheriff & Jail fees		196,086	
Ambulance fees		1,019,922	
Other sales		60,517	
Personnel Fees		84,524	
Vehicle tax collection fees		1,293	
Total	<u>2,037,058</u>	<u>2,671,700</u>	<u>634,642</u>
Investment earnings	<u>321,327</u>	<u>303,189</u>	<u>(18,138)</u>
Miscellaneous:			
ABC Store distributions	-	57,405	
Other	-	85,103	
Total	<u>135,432</u>	<u>142,508</u>	<u>7,076</u>
Total revenues	<u>32,056,372</u>	<u>32,202,065</u>	<u>145,692</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		96,590	
Other operating expenditures		55,638	
Total	<u>168,800</u>	<u>152,227</u>	<u>16,573</u>
Administration:			
Salaries and employee benefits		127,811	
Other operating expenditures		15,069	
Capital Outlay		-	
Total	<u>150,638</u>	<u>142,880</u>	<u>7,758</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
General government, Continued:			
Information Technology			
Salaries and employee benefits	\$	\$ 108,861	\$
Other operating expenditures		34,166	
Capital outlay		55,425	
Total	<u>243,430</u>	<u>198,452</u>	<u>44,978</u>
Finance:			
Salaries and employee benefits		222,902	
Other operating expenditures		54,477	
Capital outlay		157,852	
Total	<u>545,557</u>	<u>435,231</u>	<u>110,326</u>
Tax Assessor:			
Salaries and employee benefits		370,921	
Other operating expenditures		156,383	
Capital outlay		-	
Total	<u>522,728</u>	<u>527,305</u>	<u>(4,577)</u>
Land Records:			
Salaries and employees benefits		135,679	
Operating expenditures		42,577	
Capital outlay		-	
Total	<u>209,015</u>	<u>178,255</u>	<u>30,760</u>
Tax Collector:			
Salaries and employee benefits		141,074	
Operating expenditures		49,207	
Capital outlay		-	
Total	<u>223,128</u>	<u>190,281</u>	<u>32,847</u>
Court Facilities:			
Operating expenditures		51,194	
Capital outlay		6,260	
Total	<u>57,343</u>	<u>57,454</u>	<u>(111)</u>
Board of Elections			
Salaries and employee benefits		164,218	
Other operating expenditures		30,383	
Capital outlay		3,573	
Total	<u>235,785</u>	<u>198,174</u>	<u>37,611</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
General government, Continued:			
Register of deeds:			
Salaries and employee benefits	\$	\$ 163,840	\$
Other operating expenditures		206,662	
Capital outlay		10,584	
Total	<u>422,209</u>	<u>381,086</u>	<u>41,123</u>
Public buildings/maintenance:			
Salaries and employee benefits		155,306	
Operating expenditures		153,096	
Capital outlay		6,215	
Total	<u>401,402</u>	<u>314,617</u>	<u>86,785</u>
Central services:			
Salaries and employee benefits			
Operating expenditures		40,437	
Insurance and bonds		356,388	
Capital outlay		-	
Total	<u>415,359</u>	<u>396,825</u>	<u>18,534</u>
Special Appropriations:			
Region A		24,522	
Total	<u>24,522</u>	<u>24,522</u>	<u>-</u>
Total general government	<u>3,619,916</u>	<u>3,197,312</u>	<u>422,604</u>
Public Safety:			
Sheriff:			
Salaries and employee benefits		1,801,082	
Other operating expenditures		523,968	
Capital outlay		279,023	
Total	<u>2,606,458</u>	<u>2,604,072</u>	<u>2,386</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Public safety continued:			
Criminal Justice:			
Salaries and employee benefits	\$	\$ 24,577	\$
Other operating expenditures		30,977	
Capital outlay		1,324	
Total	<u>53,547</u>	<u>56,878</u>	<u>(3,331)</u>
Jail:			
Salaries and employee benefits		1,072,757	
Other operating expenditures		929,919	
Capital outlay		17,710	
Total	<u>1,981,971</u>	<u>2,020,386</u>	<u>(38,415)</u>
Emergency communications:			
Salaries and employee benefits		451,902	
Other operating expenditures		13,447	
Capital outlay		-	
Total	<u>488,664</u>	<u>465,349</u>	<u>23,315</u>
Emergency management:			
Salaries and employee benefits		95,353	
Other operating expenditures		22,069	
Capital outlay		4,670	
Total	<u>129,139</u>	<u>122,093</u>	<u>7,046</u>
Ambulance service:			
Salaries and employee benefits		1,806,834	
Other expenditures		387,914	
Capital outlay		52,256	
Total	<u>2,827,105</u>	<u>2,247,004</u>	<u>580,101</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures, Continued:			
Public safety, Continued:			
Fire inspection:			
Salaries and employee benefits	\$	\$ 93,808	\$
Other operating expenditures		40,637	
Assistance to local fire departments		-	
Capital outlay		-	
Total	<u>139,935</u>	<u>134,445</u>	<u>5,490</u>
Building inspection:			
Salaries and employee benefits		355,922	
Other operating expenditures		38,694	
Capital outlay		51,949	
Total	<u>474,771</u>	<u>446,566</u>	<u>28,205</u>
Medical examiner:			
Other operating expenditures		23,000	
Total	<u>20,000</u>	<u>23,000</u>	<u>(3,000)</u>
Special appropriations:			
NC Forest Service-Fire protection		55,999	
Valley River Humane Society		49,667	
Valley River Rescue Squad		50,000	
Cherokee County Rescue Squad		50,000	
Total	<u>220,547</u>	<u>205,666</u>	<u>14,881</u>
Total public safety	<u>8,942,137</u>	<u>8,325,459</u>	<u>616,678</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Transportation:			
Airport:			
Other operating expenditures	\$	\$ 32,071	\$
Capital outlay		6,680	
Total	<u>36,300</u>	<u>38,751</u>	<u>(2,451)</u>
Public Transportation			
Salaries and employee benefits		387,970	
Other operating expenditures		126,064	
Capital Outlay		85,155	
Total	<u>655,273</u>	<u>599,189</u>	<u>56,084</u>
Total Transportation	<u>691,573</u>	<u>637,941</u>	<u>53,632</u>
Economic and physical development:			
Economic Development:			
Salaries and employee benefits		23,096	
Other operating expenditures		4,065	
Grants		-	
Total	<u>28,982</u>	<u>27,161</u>	<u>1,821</u>
Cooperative Extension:			
Salaries and employee benefits		134,070	
Other operating expenditures		12,492	
Capital outlay		13,017	
Grants		4,232	
Total	<u>194,209</u>	<u>163,811</u>	<u>30,398</u>
Soil and water:			
Salaries and employee benefits		84,349	
Total	<u>85,785</u>	<u>84,349</u>	<u>1,436</u>
Tourism authorities:			
Cherokee County Board of Tourism	<u>123,352</u>	<u>123,496</u>	<u>(144)</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Economic Development:			
Continued:			
Special appropriations:			
Town of Murphy-water and sewer	\$	\$ 77,685	\$
Soil and water conservation district		84,000	
Hiwassee River Coalition		2,500	
Total	<u>164,185</u>	<u>164,185</u>	<u>-</u>
Total economic and physical development	<u>596,513</u>	<u>563,002</u>	<u>33,511</u>
Environmental protection:			
Solid waste:			
Salaries and employee benefits		781,852	
Operating expenditures		407,131	
Capital outlay		93,045	
Total environmental protection:	<u>1,591,229</u>	<u>1,282,027</u>	<u>309,202</u>
Human services:			
Health:			
Administration:			
Salaries and employee benefits		1,266,838	
Other operating expenditures		320,862	
Capital outlay		25,218	
Total	<u>1,638,459</u>	<u>1,612,917</u>	<u>25,542</u>
Health programs:			
Health promotion		10,772	
Bio Terrorism		50,819	
Immunization		299	
Communicable disease		3,390	
Adult health		8,275	

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Human Services, Health Programs			
Continued:			
Maternal health	\$	\$ 28,756	\$
Breast and Cervical Cancer		23,951	
School Based Clinic		100,486	
School Nurse Initiative		100,000	
Family planning		67,246	
WIC		2,750	
Child Health		10,865	
Child Service Coordinator		903	
Health Check		881	
Environmental Health:			
Salaries and employee benefits		669,663	
Other operating expenditures		36,841	
Capital outlay		764	
Total Environmental Health		<u>707,268</u>	
Total Health Dept. Programs	<u>1,229,569</u>	<u>1,116,662</u>	<u>112,907</u>
Mental Health:			
Smoky Mountain Center	<u>71,500</u>	<u>71,500</u>	<u>-</u>
Social services:			
Administration:			
Salaries and employee benefits		2,260,959	
Other operating expenditures		204,972	
Capital outlay		19,992	
Total	<u>2,562,871</u>	<u>2,485,922</u>	<u>76,949</u>
Social Service programs:	<u>2,506,954</u>	<u>2,294,641</u>	<u>212,313</u>
Total Social Services	<u>5,069,825</u>	<u>4,780,563</u>	<u>289,262</u>
Senior Center:			
Salaries and employee benefits		138,223	
Operating expenditures		150,101	
Capital outlay		2,286	
Total	<u>293,015</u>	<u>290,610</u>	<u>2,405</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Human Services, Health Programs			
Continued:			
Special appropriations:			
Industrial Opportunities Inc.	\$	\$ 49,684	\$
State of Franklin Health Council		14,000	
Haven Child Advocacy		112,276	
Juvenile Crime Prevention Programs		105,782	
Cherokee County Food Bank		3,400	
Total	288,783	285,142	3,641
Total Human Services	8,591,151	8,157,394	433,757
Cultural and recreational:			
Library operating expenditures	186,500	186,500	-
Parks and recreation:			
Salaries and employee benefits		231,749	
Operating expenditures		92,756	
Capital outlay		18,235	
Total	365,489	342,740	22,749
Museum:			
Salaries and employee benefits		34,964	
Total	34,981	34,964	17
Total cultural and recreational	586,970	564,204	22,766

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Education:			
Public schools--current expense	\$	\$ 4,361,656	\$
Public schools capital outlay:			
County appropriations		1,263,875	
Community college--current		567,272	
Community college --capital outlay		-	
Total education	6,181,170	6,192,803	(11,633)
Debt service:			
Principal retirement		2,749,602	
Interest and fees		653,413	
Total debt service	3,403,804	3,403,015	789
Total expenditures	34,204,463	32,323,157	1,881,307
Revenues over (under) expenditures	(2,148,091)	(121,092)	2,026,999
Other financing sources (uses):			
Use of Fund Balance	2,220,484		(2,220,484)
Transfer to Airport Improvement	(16,666)	(16,666)	-
Transfer to Revaluation Fund	(100,000)	(100,000)	-
Transfer to 911 fund	(23,000)	(23,000)	-
Transfer to Debt Service Fund	(383,561)	(383,561)	-
Transfer to Jail Capital Projects Fund	(494,259)	(174,890)	319,369
Transfer from Revaluation Fund	5,393		(5,393)
Transfer from Technology Center	-	4,546	4,546
Transfer from E911 fund	19,576		(19,576)
Debt Issued	920,124	-	(920,124)
Total other financing sources(uses)	2,148,091	(693,571)	(2,841,662)
Increase (Decrease) in Fund Balance	\$ 0	(814,663)	\$ (814,663)
Fund balance:			
Beginning, July 1		9,473,422	
Ending June 30		\$ 8,658,759	

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Emergency Telephone System Fund – This fund was established in accordance with North Carolina law to account for the accumulation of telephone surcharges to be used for emergency telephone systems.

Fire District Fund – This fund accounts for the ad valorem tax levies of the fire districts in Cherokee County.

Revaluation Fund – This fund accounts for the accumulation of resources to be used for the octennial revaluation of real property.

Debt Service Fund – This fund accounts for the accumulation of resources to be used for the retirement of QZAB debt owed by the County

Bear Paw Service District Fund – This fund is established to account for the ad valorem tax levies of the Bear Paw Service District

Sheriff's Community Grant. – This fund accounts for a Multi year grant for a community safety program.

Cherokee County, North Carolina
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2008

	Special Revenue Funds						Capital Projects Funds					
	Emergency Telephone System Fund	Fire District Fund	Revalu - ation Fund	Scattered Sites	Sheriff's Community Grant	Bear Paw Service District	Total Nonmajor Special Revenue Funds	School Improvements	Airport Improvements	Technology Center	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets												
Cash and cash equivalents	\$ 221,213	\$ 15,079	\$ 183,606	\$ -	\$ -	\$ 2,155	\$ 422,053	\$ -	\$ 96,424	\$ -	\$ 96,424	\$ 518,477
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Taxes receivable (net)	-	120,529	-	-	-	11,592	132,121	-	-	-	-	132,121
Accounts Receivable	-	-	-	-	-	-	-	-	-	-	-	-
Due from other Governments	-	-	-	21	2,709	-	2,730	-	-	-	-	2,730
Deposits and Prepaids	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 221,213</u>	<u>\$ 135,608</u>	<u>\$ 183,606</u>	<u>\$ 21</u>	<u>\$ 2,709</u>	<u>\$ 13,747</u>	<u>\$ 556,904</u>	<u>\$ -</u>	<u>\$ 96,424</u>	<u>\$ -</u>	<u>\$ 96,424</u>	<u>\$ 653,328</u>
Liabilities and Fund Balances												
Liabilities:												
Accounts payable and accrued liabilities	\$ 10,513	\$ 15,079	\$ 60	\$ 15	\$ 26	\$ 2,155	\$ 27,848	\$ 79,277	\$ 9,287	\$ -	\$ 88,564	\$ 116,412
Due to other funds	-	-	-	6	2,683	-	2,689	54,879	-	-	54,879	57,568
Deferred revenue-Taxes	-	120,529	-	-	-	11,592	132,121	-	-	-	-	132,121
Unearned Revenues	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>10,513</u>	<u>135,608</u>	<u>60</u>	<u>21</u>	<u>2,709</u>	<u>13,747</u>	<u>162,658</u>	<u>134,156</u>	<u>9,287</u>	<u>-</u>	<u>143,443</u>	<u>306,101</u>
Fund balances:												
Reserved for encumbrances	1,979	-	-	-	-	-	1,979	-	-	-	-	1,979
Reserved by state statute	-	-	-	-	-	-	-	-	-	-	-	-
Reserved for subsequent year expenditures	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved, undesignated	208,721	-	183,546	-	-	-	392,267	(134,156)	87,137	-	(47,019)	345,248
Total fund balances	<u>210,700</u>	<u>-</u>	<u>183,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>394,246</u>	<u>(134,156)</u>	<u>87,137</u>	<u>-</u>	<u>(47,019)</u>	<u>347,227</u>
Total liabilities and fund balances	<u>\$ 221,213</u>	<u>\$ 135,608</u>	<u>\$ 183,606</u>	<u>\$ 21</u>	<u>\$ 2,709</u>	<u>\$ 13,747</u>	<u>\$ 556,904</u>	<u>\$ -</u>	<u>\$ 96,424</u>	<u>\$ -</u>	<u>\$ 96,424</u>	<u>\$ 653,328</u>

Cherokee County, North Carolina
 Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Fiscal Year Ended June 30, 2008

							Capital Projects Funds						
	Emergency Telephone System Fund	Fire District Fund	Revalu - ation Fund	Scattered Sites	Sheriff's Community Grant	Bear Paw Service District	Total Nonmajor Governmental Funds	School Improvements	Airport Improvements	Technology Center	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds	
Revenues:													
Ad valorem taxes	\$ -	\$ 1,196,519	\$ -		\$ -	\$ 253,253	\$ 1,449,772	\$ -	\$ -	\$ -	\$ -	\$ 1,449,772	
Other taxes and licenses	250,306	-	-		-	-	250,306				-	250,306	
Restricted intergovernmental	73,750	-	-	185,622	-	-	259,372	164,000	181,536	967,000	1,312,536	1,571,908	
Restricted other	761	-	-		2,709	-	3,470				-	3,470	
Investment earnings	8,869	-	4,958		-	-	13,827			1,408	1,408	15,235	
Total revenues	333,686	1,196,519	4,958	185,622	2,709	253,253	1,976,747	164,000	181,536	968,408	1,313,944	3,290,691	
Expenditures:													
Current:													
General government	-	-	86,828			253,253	340,081				-	340,081	
Public safety	400,925	1,196,519	-		2,709	-	1,600,153				-	1,600,153	
Transportation							-		203,035		203,035	203,035	
Education							-	298,156			298,156	298,156	
Economic Development	-	-	-	185,622	-	-	185,622			963,862	963,862	1,149,484	
Debt Service													
Principal	-	-	-		-	-	-				-	-	
Interest	-	-	-		-	-	-				-	-	
Total expenditures	400,925	1,196,519	86,828	185,622	2,709	253,253	2,125,856	298,156	203,035	963,862	1,465,053	3,590,909	
Revenues over (under) expenditures	(67,239)	-	(81,870)	0	-	-	(149,109)	(134,156)	(21,499)	4,546	(151,109)	(300,218)	
Other financing sources:													
Operating transfers in:													
General Fund	23,000	-	100,000				123,000		16,666		16,666	139,666	
Operating transfers out:													
General Fund	-	-	-				-		(4,546)		(4,546)	(4,546)	
	23,000	-	100,000		-	-	123,000	-	16,666	(4,546)	12,120	135,120	
Increase (Decrease) in Fund Balance	(44,239)	-	18,130	-	-	-	(26,109)	(134,156)	(4,833)	0	(138,989)	(165,098)	
Fund balances:													
Beginning of year, July 1	254,939	-	165,416		-	-	420,355	-	91,970	-	91,970	512,325	
End of year, June 30	\$ 210,700	\$ -	\$ 183,546	\$ -	\$ -	\$ -	\$ 394,246	\$ (134,156)	\$ 87,137	\$ 0	\$ (47,019)	\$ 347,227	

Cherokee County, North Carolina
Emergency Telephone System Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	2007		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues:			
Other taxes and licenses		\$ 250,306	\$ 250,306
Restricted Intergovernmental		73,750	73,750
Other		761	
Investment Earnings		8,869	8,869
	<u>374,368</u>	<u>333,686</u>	<u>(40,682)</u>
Expenditures			
Public Safety:			
Salaries and Employee benefits		130,294	
Operating Expenditures		203,385	
Capital Outlay		67,246	
Public Safety	<u>432,596</u>	<u>400,925</u>	<u>31,671</u>
Revenues over (under) expenditures	(58,228)	(67,239)	(9,011)
Other financing uses:			
Operating transfers to (from)			
General Fund	(34,381)	23,000	(57,381)
Appropriated fund balance	<u>112,185</u>	<u>-</u>	<u>(112,185)</u>
	77,804	23,000	(54,804)
Increase (Decrease) in Fund Balance	<u>\$ 19,576</u>	<u>(44,239)</u>	<u>\$ (63,815)</u>
Fund balances:			
Beginning of year, July 1		<u>254,939</u>	
End of year, June 30		<u>\$ 210,700</u>	

Cherokee County, North Carolina
Fire District Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	2008		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues:			
Ad valorem taxes:	\$ 945,741	\$ 1,196,519	\$ 250,778
Expenditures:			
Public safety:			
Bellview Fire District		84,570	
Brasstown Fire District		10,689	
Culberson Fire District		49,291	
Grape Creek Fire District		18,942	
Hanging Dog Fire District		40,979	
Hiwassee Fire District		143,573	
Wolf Creek Fire District		52,806	
Martins Creek Fire District		69,648	
Peachtree Fire District		147,157	
Murphy Rural Fire District		194,052	
Ranger Fire District		104,281	
Unaka Fire District		29,642	
Valleytown Fire District		250,889	
Total expenditures	945,741	1,196,519	(250,778)
Increase (Decrease) in			
Fund Balance	\$ -	-	\$ -
Fund balances:			
Beginning of year, July 1		-	
End of year, June 30		\$ -	

Cherokee County, North Carolina
Revaluation Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	2008		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues:			
Investment earnings	\$ 1,000	\$ 4,958	\$ 3,958
Expenditures:			
Current:			
General government:			
Salaries and Employee benefits		22,964	
Other Operating Expenditures		63,864	
Capital Outlay		-	
Total	<u>191,500</u>	<u>86,828</u>	<u>104,672</u>
Revenues over (under) expenditures	<u>(190,500)</u>	<u>(81,870)</u>	<u>108,630</u>
Deficiency of Revenues under Expenditures - Use of Fund Balance	<u>90,500</u>	<u>-</u>	<u>(90,500)</u>
Contribution from General Fund	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Increase (Decrease) in Fund Balance	<u>-</u>	<u>18,130</u>	<u>18,130</u>
Fund balances:			
Beginning of year, July 1		<u>165,416</u>	
End of year, June 30		<u>\$ 183,546</u>	

Cherokee County, North Carolina
Debt Service Fund
Statement of Revenues, Expenditures, and
For the Fiscal Year Ended June 30, 2008

	2008		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues			
Investment Earnings	\$ 56,000	\$ 54,290	\$ (1,710)
Other financing sources (uses):			
Operating transfers in:			
General Fund - Debt Service	383,561	383,561	-
Total other financing sources (uses)	<u>383,561</u>	<u>383,561</u>	<u>-</u>
Increase in			
Fund Balance	<u>\$ 439,561</u>	<u>\$ 437,851</u>	<u>\$ (1,710)</u>
Fund balance:			
Beginning of year, July 1		1,189,313	
End of Year, June 30		<u>\$ 1,627,164</u>	

Cherokee County, North Carolina
Scattered Sites Housing Project
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2008

	Project Author- ization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Year	Current Year		
Revenues					
Grants	\$ 400,000	\$ -	\$ 185,622	\$ 185,622	\$ (214,378)
	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ 185,622</u>	<u>\$ 185,622</u>	<u>\$ (214,378)</u>
Expenditures					
Administration	38,900	-	15,068	15,068	23,832
Relocation Assistance	311,000		149,876		
Clearance	39,100		20,678		
Repair	9,900	-	-	-	9,900
local Option Admin	1,100	-	-	-	1,100
	<u>400,000</u>	<u>27,742</u>	<u>185,622</u>	<u>15,068</u>	<u>34,832</u>
Revenues (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,554</u>	<u>(179,546)</u>
Fund balance:					
Beginning of year, July 1			-		
End of Year, June 30			<u>\$ -</u>		

Cherokee County, North Carolina
Bear Paw Service District
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	2008		Variance
	Final Budget	Actual	Favorable (Unfavorable)
Revenues:			
Ad valorem taxes:	\$ 246,895	\$ 253,253	\$ 6,358
Expenditures:			
Bear Paw Service District	246,895	253,253	(6,358)
Increase (Decrease) in			
Fund Balance	\$ -	-	\$ -
Fund balances:			
Beginning of year, July 1		-	
End of year, June 30		\$ -	

Cherokee County, North Carolina
Sheriff's Community Grant
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2008

	Project Author- ization	Actual			Variance Favorable (Unfavorable)
		Prior Year	Current Year	Total to Date	
Revenues					
Grants	\$ 52,137	\$ -	\$ 2,709	\$ 2,709	\$ (49,428)
	<u>\$ 52,137</u>	<u>\$ -</u>	<u>\$ 2,709</u>	<u>\$ 2,709</u>	<u>\$ (49,428)</u>
Expenditures					
Wages & Benefits	47,691	-	2,554	2,554	45,137
Operating Expenses	4,446	-	155	155	4,291
Capital Outlay	-	-	-	-	-
	<u>52,137</u>	<u>-</u>	<u>2,709</u>	<u>2,709</u>	<u>49,428</u>
Revenues (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:					
Beginning of year, July 1			-		
End of Year, June 30			<u>\$ -</u>		

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Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by other funds.

Airport Improvement Projects Fund This fund is used to account for the construction of major capital outlay projects for the Andrews-Murphy Airport

Detention Center – This fund is used to account for the renovation of the new Detention Center.

School Improvement Fund – This fund is used to account for the construction of the new school facilities.

Technology Center – This fund accounts for the construction cost for the new Technology Center

Cherokee County, North Carolina
Airport Improvement Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2008

	Project Author- ization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental:					
Grants	\$ 1,200,000	\$ -	\$ 181,536	\$ 181,536	\$ (1,018,464)
Total revenues	<u>1,200,000</u>	<u>-</u>	<u>181,536</u>	<u>181,536</u>	<u>(1,018,464)</u>
Expenditures					
Capital outlay:					
Air Field Improvements	166,666	-	24,116	24,116	142,550
Land Acquisition	944,444	3,420	4,016	7,436	937,008
Other	<u>222,222</u>	<u>20,111</u>	<u>174,903</u>	<u>195,014</u>	<u>27,208</u>
Total expenditures	<u>1,333,332</u>	<u>23,531</u>	<u>203,035</u>	<u>226,566</u>	<u>1,106,766</u>
Revenues over (under) expenditures	<u>(133,332)</u>	<u>(23,531)</u>	<u>(21,499)</u>	<u>(45,030)</u>	<u>88,302</u>
Other financing sources:					
Operating transfers from General Fund	<u>133,332</u>	<u>115,501</u>	<u>\$ 16,666</u>	<u>132,167</u>	<u>(1,165)</u>
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>\$ 91,970</u>	<u>(4,833)</u>	<u>\$ 87,137</u>	<u>\$ 87,137</u>
Fund balances:					
Beginning of year, July 1			<u>91,970</u>		
End of year, June 30			<u>\$ 87,137</u>		

Cherokee County, North Carolina
Detention Center Construction
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2008

	Project Author- ization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
Investment earnings	\$ 592,800	\$ 460,829	\$ 146,899	\$ 607,728	\$ 14,928
Total revenues	592,800	460,829	146,899	607,728	14,928
Expenditures					
Capital outlay:					
Administration	47,496	45,812	718	46,530	966
Land	618,292	618,292	-	618,292	-
Site preparation	462,544	462,545	-	462,545	(1)
Professional Services	884,054	694,049	190,004	884,053	1
Detention Center Construction	10,026,911	3,898,807	5,822,354	9,721,161	305,750
Furnishings and Equipment	104,986		109,051	109,051	(4,065)
Sheriff's Offices Construction	-	0		-	-
Contingency	10,000	8,320	-	8,320	1,680
Total expenditures	12,154,283	5,727,825	6,122,127	11,849,952	304,331
Revenues over (under) expenditures	(11,561,483)	(5,266,996)	(5,975,228)	(11,242,224)	319,259
Other financing sources:					
Operating transfers from					
General Fund	2,312,091	1,817,834	174,890	1,992,724	(319,367)
Loan Proceeds	9,249,392	9,249,500	-	9,249,500	108
Total Other Financing sources	11,561,483	11,067,334	174,890	11,242,224	(319,259)
Increase (Decrease) in					
Fund Balance	\$ -	\$ 5,800,338	(5,800,338)	\$ -	\$ -
Fund balances:					
Beginning of year, July 1			5,800,338		
End of year, June 30			\$ -		

Cherokee County, North Carolina
School Improvement Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2008

	Project Author- ization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental:					
NC lottery Proceeds	\$ 164,000	\$ -	\$ 164,000	\$ 164,000	\$ -
Total revenues	<u>164,000</u>	<u>-</u>	<u>164,000</u>	<u>164,000</u>	<u>0</u>
Expenditures					
Capital outlay:					
Murphy High School Project	1,600,000	-	108,269	108,269	1,491,731
Ranger School Addition	1,964,000	-	189,887	189,887	1,774,113
Total expenditures	<u>3,564,000</u>	<u>-</u>	<u>298,156</u>	<u>298,156</u>	<u>3,265,844</u>
Revenues over (under) expenditures	<u>(3,400,000)</u>	<u>-</u>	<u>(134,156)</u>	<u>(134,156)</u>	<u>3,265,844</u>
Other financing sources:					
QZAB Financing	1,600,000				(1,600,000)
Other installment Financing	1,800,000			-	(1,800,000)
	<u>3,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,400,000)</u>
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (134,156)</u>	<u>\$ (134,156)</u>	<u>\$ (134,156)</u>
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ (134,156)</u>		

Cherokee County, North Carolina
Technology Center
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2008

	Project Author- ization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
Restricted intergovernmental:					
Grants	\$ 967,000	\$ -	\$ 967,000	\$ 967,000	\$ -
Investment Earning	-		1,408	1,408	1,408
Total revenues	<u>967,000</u>	<u>0</u>	<u>968,408</u>	<u>968,408</u>	<u>1,408</u>
Expenditures					
Capital outlay:					
Tri County Technology Center					
Renovations	<u>967,000</u>	<u>-</u>	<u>963,862</u>	<u>963,862</u>	<u>3,138</u>
Total expenditures	<u>967,000</u>	<u>-</u>	<u>963,862</u>	<u>963,862</u>	<u>3,138</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>4,546</u>	<u>4,546</u>	<u>4,546</u>
Other financing sources:					
Transfer to General Fund	<u>-</u>	<u>-</u>	<u>(4,546)</u>	<u>(4,546)</u>	<u>(4,546)</u>
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</u>		

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Enterprise Fund

The Wellness Center is used to account for the Pool and Wellness Center

Wellness Center Capital Project Fund – This fund is used to account for the construction of the new Wellness Center.

**Cherokee County, North Carolina
Wellness Center
Statement of Revenues, Expenditures
Budget and Actual
For the Year Ended June 30, 2008**

	Final Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Membership & Fees	\$ 461,250	\$ 383,469	
Total operating revenues	461,250	383,469	(77,781)
OPERATING EXPENSES			
Salaries & Employee Benefits		210,241	
Supplies		31,706	
Travel		3,873	
Utilities		110,568	
Maintenance		9,180	
Interest		36,668	
Other		24,453	
Advertising		4,959	
Total operating expenses	461,250	431,648	29,602
Revenues Under Expenditures	-	(48,179)	(48,179)
Reconciliation from Budgetary Basis (modified accrual to full accrual			
Capital contributions		66,805	
Non Capitalized Expenses from Capital Projects Fund		(18,065)	
Depreciation		(87,393)	
Change in net assets		(86,832)	
Total net assets, beginning		2,423,006	
Total net assets, ending		\$ 2,336,174	

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

Cherokee County, North Carolina
Wellness Center-Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2008

	Project Author- ization	Actual		Total to Date	Variance
		Prior Years	Current Year		Favorable (Unfavorable)
Revenues					
Public Contributions	\$ 2,165,619	\$ 2,011,309	\$ 46,805	\$ 2,058,114	(107,505)
Grants	250,000	250,000	\$ 20,000	270,000	20,000
Insurance Proceeds	105,092	\$ 102,001		102,001	(3,091)
Investment Earnings	70,000	\$ 122,768		122,768	52,768
Total	<u>\$ 2,590,711</u>	<u>\$ 2,486,078</u>	<u>\$ 66,805</u>	<u>\$ 2,552,883</u>	<u>\$ (37,828)</u>
Expenditures					
Capital outlay:					
Architect and Engineering	\$ 148,100	\$ 157,410	\$ -	\$ 157,410	\$ (9,310)
Administration	6,586	-	1,794	1,794	4,792
Site Preparation	-	150		150	(150)
Construction	3,051,092	3,016,170	24,077	3,040,247	10,845
Air Dome	245,600	-	239,445	239,445	6,155
Equipment	46,000	11,595	35,313	46,908	(908)
Contingency	37,400	39		39	37,361
Total	<u>3,534,778</u>	<u>3,185,364</u>	<u>300,629</u>	<u>3,485,993</u>	<u>\$ 48,785</u>
Revenues under expenditures	<u>(944,067)</u>	<u>(699,286)</u>	<u>(233,824)</u>	<u>(933,110)</u>	<u>10,957</u>
Other financing sources(uses):					
Transfer to General Fund	(55,933)	(55,933)	-	(55,933)	-
Transfer to Wellness Center	-		(10,957)	(10,957)	(10,957)
Proceeds from installment Financing Agreement	1,000,000		1,000,000	1,000,000	-
	<u>944,067</u>	<u>(55,933)</u>	<u>989,043</u>	<u>933,110</u>	<u>(10,957)</u>
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>\$ (755,219)</u>	<u>\$ 755,219</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			\$ (755,219)		
End of year, June 30			<u>\$ -</u>		

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Trust and Agency Funds

Trust Funds are used to account for assets held by the county in a Trustee capacity. Agency Funds are used to account for assets held by the county as an agent for individual and/or other governments.

Trust Funds

Sheriff's Fund – This fund accounts for moneys held by the Sheriff for the benefit of inmates while they are incarcerated and for funds held for the Clerk of the court.

Social Services Fund – This fund accounts for moneys held by the Social Services Department for the benefit of certain individuals in the County.

Agency Funds

Fines and Forfeitures Fund – This fund accounts for fines and forfeitures collected by the County that are required to be remitted to the Cherokee County Board of Education

Motor Vehicle Tax Fund – This fund accounts for the proceeds of the motor vehicle taxes that are collected by the County on behalf of the municipalities within the County.

Cherokee County, North Carolina
 Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 For the Fiscal Year Ended June 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Social Services				
Assets:				
Cash and cash equivalents	\$ 57,842	\$ 872,758	\$ 656,033	\$ 274,567
Liabilities:				
Miscellaneous liabilities	\$ 57,842	\$ 872,758	\$ 656,033	\$ 274,567
Sheriff's Fund				
Assets:				
Cash and cash equivalents	\$ 28,253	\$ 155,631	\$ 149,464	\$ 34,420
Liabilities:				
Miscellaneous liabilities	\$ 28,253	\$ 155,631	\$ 149,464	\$ 34,420
Fines and Forfeitures				
Assets:				
Cash and cash equivalents	\$ -	\$ 212,297	\$ 212,297	\$ -
Liabilities:				
Intergovernmental payable- Cherokee Co BD of Ed.	\$ -	\$ 212,297	\$ 212,297	\$ -
Motor Vehicle Tax				
Assets:				
Cash and cash equivalents	\$ 6,610	\$ 95,712	\$ 93,855	\$ 8,467
Liabilities:				
Intergovernmental payable	\$ 5,629	\$ 84,182	\$ 82,435	\$ 7,376
Intergovernmental payable- State of NC	981	11,530	11,420	1,091
Total	\$ 6,610	\$ 95,712	\$ 93,855	\$ 8,467
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 92,705	\$ 1,336,398	\$ 1,111,649	\$ 317,454
Liabilities:				
Miscellaneous liabilities	\$ 86,095	\$ 1,028,389	\$ 805,497	\$ 308,987
Intergovernmental payable	6,610	308,009	306,152	8,467
Total liabilities	\$ 92,705	\$ 1,336,398	\$ 1,111,649	\$ 317,454

Other Schedules

This section contains additional information required on property taxes and transfers.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Schedules of Transfers

Cherokee County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2008

Exhibit G - 1

Fiscal Year	Uncollected Balance June 30, 2007	Additions	Collections And Credits	Uncollected Balance June 30, 2008
2007 - 2008	\$ -	\$ 13,681,332	\$ 12,915,779	\$ 765,553
2006 - 2007	589,440		405,893	183,547
2005 - 2006	152,078		69,956	82,122
2004 - 2005	83,910		24,332	59,578
2003 - 2004	65,921		13,612	52,309
2002 - 2003	63,137		12,311	50,826
2001 - 2002	50,159		8,814	41,345
2000 - 2001	48,373		7,024	41,349
1999 - 2000	12,309		5,138	7,171
1998 - 1999	7,133		3,015	4,118
1997 - 1998	5,991		5,991	0
	<u>\$ 1,078,451</u>	<u>\$ 13,681,332</u>	<u>\$ 13,471,865</u>	<u>1,287,918</u>

Less: allowance for uncollectible accounts:

General Fund

(245,091)

Ad valorem taxes receivable - net:

General Fund

\$ 1,042,827

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 13,584,526

Reconciling items:

Interest collected

(144,242)

Prior year Tax releases

27,245

Taxes written off

4,336

Total reconciling items

(112,661)

Total collections and credits

\$ 13,471,865

Cherokee County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2008

Exhibit G - 2

	County - wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 2,566,207,308	\$ 0.52	\$ 13,344,278	\$ 12,276,450	\$ 1,067,828
Motor vehicles taxed at prior year's rate	21,538,462	0.52	112,000	-	112,000
Penalties	-		12,318	12,318	0
Total	<u>2,587,745,770</u>		<u>13,468,596</u>	<u>12,288,768</u>	<u>1,179,828</u>
Discoveries:					
Current year taxes	56,875,000	0.52	295,750	295,750	-
Abatements	<u>(15,964,231)</u>	0.52	<u>(83,014)</u>	<u>(59,391)</u>	<u>(23,623)</u>
Total property valuation	<u>\$ 2,628,656,539</u>				
Net levy			13,681,332	12,525,127	1,156,205
Uncollected Taxes at June 30, 2007			<u>765,553</u>	<u>549,043</u>	<u>216,510</u>
Current year's taxes collected			<u>\$ 12,915,779</u>	<u>\$ 11,976,084</u>	<u>\$ 939,695</u>
Current levy collection percentage			<u>94.40%</u>	<u>95.62%</u>	<u>81.27%</u>

Cherokee County, North Carolina
 Schedule of Transfers
 For the Fiscal Year Ended June 30, 2008

Operating Transfers From/To Other Funds	Transfers	
	From	To
General Fund:		
Airport Improvement Fund		17,831
Debt Service Fund		383,561
Revaluation Fund		100,000
Detention Center Capital Project		174,890
911 Fund		23,000
Technology Center Capital Project	4,546	
Capital Projects Fund:		
Airport Improvement Fund		
General	17,831	
Technology Center Capital Project		
General		4,546
Debt Service Fund		
General	383,561	
911 Fund		
General	23,000	
Revaluation Fund		
General	100,000	
Detention Center Capital Project		
General	174,890	
	\$ 703,828	\$ 703,828