CHEROKEE COUNTY,

MURPHY, NORTH CAROLINA

Murphy, North Carolina

Basic Financial Statements

June 30, 2009

(with Independent Auditors' Report thereon)

Cherokee County, North Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009

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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

Larry Barton Tax Administrator & 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 then ended June 30, 2009, which collectively comprise Cherokee County's basic financial statements as listed in the table of contents. These financial statement are the responsibility of Cherokee County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted out 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 statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2009, on our consideration of Cherokee County, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an

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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 considered in accessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7-15 and page 24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of 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 opinions on the financial statements that collectively comprise Cherokee County, North Carolina's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Cherokee County, North Carolina combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applies in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied 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.

October 30, 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, 2009
. 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

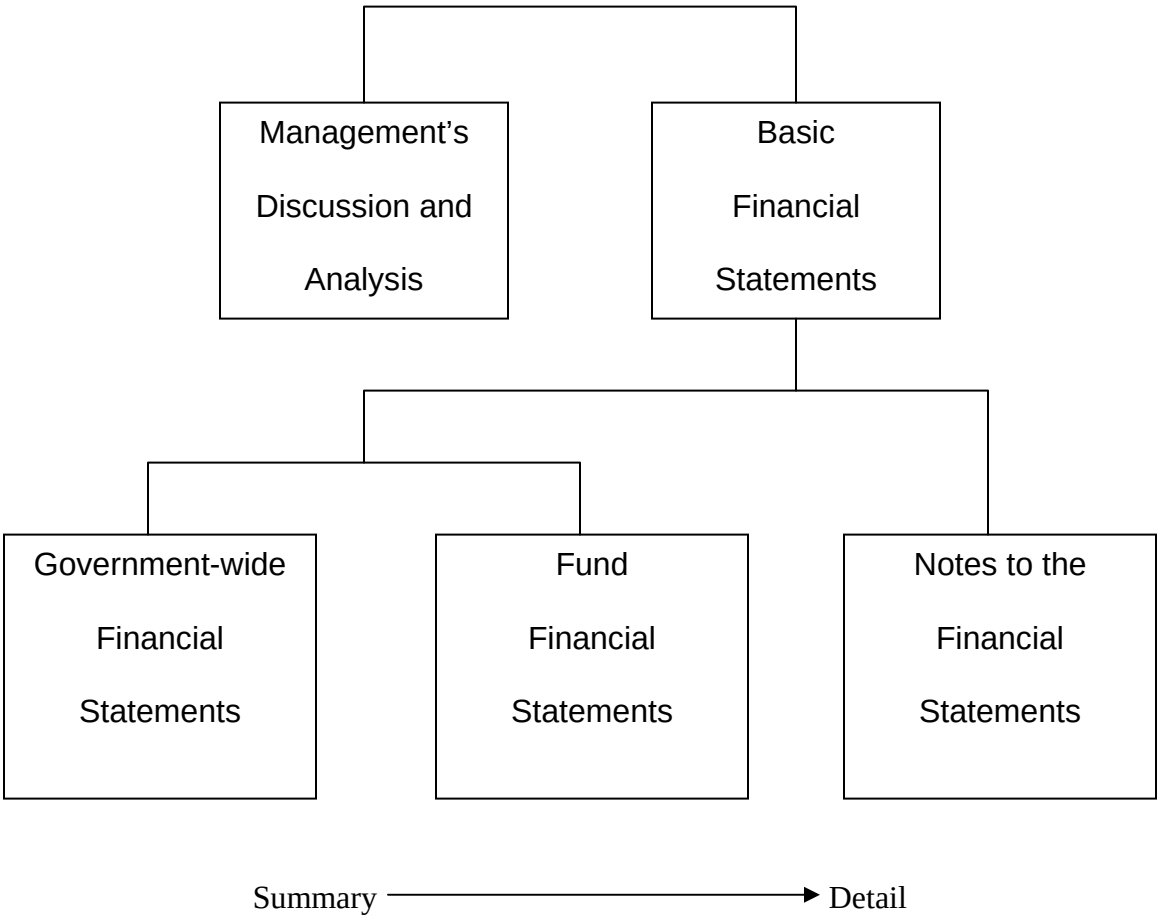
- The assets of Cherokee County exceeded its liabilities at the close of the fiscal year by $17,433,770 (net assets).
- The government's total assets increased by $1,513,722. The main assets additions were work in progress at the airport and additional land at the airport
- Total assets of the County were $48,562,202.
- As of the close of the current fiscal year, Cherokee County's governmental funds reported combined ending fund balances of $11,709,687 an increase of $1,076,535 in comparison with the prior year.
- Approximately 73 percent of the fund balance, or $8,543,692, is available for spending at the government's discretion (*unreserved fund balance*), an increase of $2,223,269 from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was $5,515,159, an increase of $1,167,138 from the prior year. The unreserved fund balance is about 16.35 % of the total general fund expenditures for the fiscal year.
- Cherokee County issued $920,124 of new debt during the year for equipment and software. In addition the County issued $1,800,000 in installment financing for the construction of a school addition and $1,371,355a zero interest QZAB installment financing for school improvements.
-

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 plan and other post employment benefits.

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 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 $17,433,770 as of June 30, 2009. The County's net assets increased by $955,307 for the fiscal year ended June 30, 2009.

One of the largest portions of net assets $21,781,652 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 $6,430,727. 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

	Governmental Activities		Busiess-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	$ 15,997,953	$ 15,808,184	$ 60,738	$ 92,552	$ 16,058,691	$ 15,900,736
Internal Balances	-	6,879	-	(6,879)	-	
Capital assets	29,229,908	27,773,420	3,273,603	3,374,324	32,503,511	31,147,744
Total assets	$ 45,227,861	$ 43,588,483	$ 3,334,341	$ 3,459,997	$ 48,562,202	$ 47,048,480
Long-term liabilities outstanding	$ 25,049,243	$ 23,423,393	$ 979,138	$ 989,783	26,028,381	24,413,176
Other liabilities	4,980,364	6,022,531	119,687	134,040	5,100,051	6,156,571
Total liabilities	30,029,607	29,445,924	1,098,825	1,123,823	31,128,432	30,569,747
Net assets:						
Invested in capital assets, net of related debt	19,497,829	19,497,829	2,283,823	2,374,324	21,781,652	21,872,153
Restricted	2,082,845	1,627,164	-	-	2,082,845	1,627,164
Unrestricted	(6,382,420)	(6,982,434)	(48,307)	(38,150)	(6,430,727)	(7,020,584)
Total net assets	$ 15,198,254	$ 14,142,559	$ 2,235,516	$ 2,336,174	$ 17,433,770	$ 16,478,733

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

- The County reduced payroll cost during the year as a response to lower sales tax and property tax collections. Also the County received grants to expand the County airport.

Cherokee County Changes in Net Assets
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	$ 4,541,938	$ 4,885,929	$ 404,018	$ 383,469	$ 4,945,956	$ 5,269,398
Operating grants and contributions	6,078,701	5,261,128			6,078,701	5,261,128
Capital grants and contributions	1,729,918	470,536	2,110	66,805	1,732,028	537,341
General revenues:						
Property taxes	17,502,269	15,457,992			17,502,269	15,457,992
Other taxes	5,933,168	7,214,592			5,933,168	7,214,592
Grants and contributions not restricted to specific programs	352,588	711,489			352,588	711,489
Other	1,725,942	2,111,229	9		1,725,951	2,111,229
Transfers	(48,000)		48,000		-	-
Total revenues	37,816,524	36,112,895	454,137	450,274	38,270,661	36,563,169
Expenses:						
General government	3,510,189	3,524,969			3,510,189	3,524,969
Public safety	11,042,333	10,624,517			11,042,333	10,624,517
Transportation	915,815	813,634			915,815	813,634
Economic and physical development	824,805	755,915			824,805	755,915
Human services	8,297,528	8,267,846			8,297,528	8,267,846
Cultural and recreation	570,574	569,837	554,795	537,106	1,125,369	1,106,943
Education	9,285,748	6,490,959			9,285,748	6,490,959
Interest on long-term debt	620,302	615,751			620,302	615,751
Environmental protection	1,693,535	1,730,933			1,693,535	1,730,933
Total expenses	36,760,829	33,394,361	554,795	537,106	37,315,624	33,931,467
Increase (Decrease) in net assets	1,055,695	2,718,534	(100,658)	(86,832)	955,037	2,631,702
Net assets, July 1	14,142,559	11,424,025	2,336,174	2,423,006	16,478,733	13,847,031
Net assets, June 30	$ 15,198,254	$ 14,142,559	$ 2,235,516	$ 2,336,174	$ 17,433,770	$ 16,478,733

Governmental activities. Governmental activities increased the County's net assets by $1,055,695. Key elements of this change are as follows:

- Increase in the County's charges related to Grants received to expand and improve the local airport.

Business-type activities. Business-type activities decreased the County's net assets by $100,658. This change was not unexpected during the first few years 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 $5,515,159 while total fund balance was $8,678,274. 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 16.35 percent of total General Fund expenditures, while total fund balance represents 25.7 percent of that same amount.

At June 30, 2009, the governmental funds of Cherokee County reported a combined fund balance of $11,709,687 a 10 percent increase 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 increased revenues by $133,623 a less than one percent change and increased expenditure by $1,765,014 a 5.3% increase.

Capital Asset and Debt Administration

Capital Assets. Cherokee County's capital assets for its governmental type activities as of June 30, 2009, totals $29,588,417 (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. Others additions are vehicles and equipment.

Cherokee County's Capital Assets

Figure 4

	Governmental Activities		Business Type Activites		Total	
	2009	2008	2009	2008	2009	2008
Land	$ 5,638,723	$ 4,669,122	$ -	$ -	$ 5,638,723	$ 4,669,122
Buildings	13,667,922	13,987,931	2,960,871	3,022,611	$ 16,628,793	17,010,542
Improvements	6,142,216	6,515,918	224,680	250,576	$ 6,366,896	6,766,494
Equipment	826,426	787,527	85,198	96,381	$ 911,624	883,908
Computers & Other Electronic Equipmnet	578,061	630,437	2,855	4,756	$ 580,916	635,193
Vehicles and motorized equipment	1,487,581	803,099			$ 1,487,581	803,099
Construction in progress	888,979	380,602	-	-	$ 888,979	380,602
Total	$ 29,229,908	$ 27,774,636	$ 3,273,604	$ 3,374,324	$ 32,503,512	$ 31,148,960

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	
	2009	2008	2009	2008	2009	2008
Installment Purchases	$ 24,009,143	$ 22,390,539	$ 989,783	$1,000,000	$24,998,926	$ 23,390,539
					-	-
Other:					-	-
Landfill closure obligations	3,830,170	2,700,185			3,830,170	2,700,185
Vacation payable	611,925	541,284			611,925	541,284
Pension benefit	107,408	92,003			107,408	92,003
Other Post Employment Benefits	160,081				160,081	-
	$ 28,718,727	$ 25,724,011	$ 989,783	$1,000,000	$29,708,510	$ 26,724,011

Cherokee County issued new debt during the year. One loan was for $1,800,000 which was used to finance new school construction, one loan was a zero interest QZAB financing for $1,371.355 used for school improvements and the third loan was for 920,124 for the purchase of fixed assets used by the county.

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 $324,675,792.

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, 2010

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 decrease modestly. The County will continue to fund current programs and the only anticipated expansion of service will be the new manned convenience sites for solid waste.

Budgeted expenditures in the General Fund are expected to decrease approximately 8.4% to $32,999,069. The reduction is in anticipation of lower revenues because of the current economy

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

Exhibit 1

Cherokee County, North Carolina
Statement of Net Assets
June 30, 2009

	Primary Government		
	Governmental Activities	**Business -type Activities**	**Total**
ASSETS			
Cash and cash equivalents	$ 8,452,674	$ 60,738	$ 8,513,412
Investments	2,188,359		2,188,359
Receivables (net)	5,130,358	-	5,130,358
Due from other governments	163,017		163,017
Internal Balances	-	-	-
Deferred charge - issuance costs	63,545		63,545
Capital assets:			
Land, improvements, and construction in progress	6,527,702		6,527,702
Other capital assets, net of depreciation	22,702,206	3,273,603	25,975,809
Total capital assets	29,229,908	3,273,603	32,503,511
Total assets	45,227,861	3,334,341	48,562,202
LIABILITIES			
Accounts payable and accrued expenses	2,034,928	18,558	2,053,486
Unearned revenue	113,797	57,252	171,049
Accrued interest payable	161,702	33,235	194,937
Long-term liabilities:			-
Due within one year	2,669,937	10,642	2,680,579
Due in more than one year	25,049,243	979,138	26,028,381
Total liabilities	30,029,607	1,098,825	31,128,432
NET ASSETS			
Invested in capital assets, net of related debt	19,497,829	2,283,823	21,781,652
Restricted for:			-
Capital Projects	-		-
Debt Service	2,082,845		2,082,845
Unrestricted (deficit)	(6,382,420)	(48,307)	(6,430,727)
Total net assets	$ 15,198,254	$ 2,235,516	$ 17,433,770

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

Exhibit 2

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business -type Activities**	**Total**
Primary government:							
Governmental Activities:							
General government	$ 3,510,189	$ 405,339	$ 619,784		$ (2,485,066)		(2,485,066)
Public safety	11,042,333	1,787,155	767,663		(8,487,515)		(8,487,515)
Transportation	915,815	293,330	278,875	1,635,429	1,291,819		1,291,819
Economic and physical development	824,805		214,378	-	(610,427)		(610,427)
Environmental Protection	1,693,535	1,682,070	43,546		32,081		32,081
Human services	8,297,528	374,044	3,773,596	-	(4,149,888)		(4,149,888)
Cultural and recreation	570,574	-	-	-	(570,574)		(570,574)
Education	9,285,748	-	380,859	94,489	(8,810,400)		(8,810,400)
Interest on long-term debt	620,302	-	-		(620,302)		(620,302)
Total governmental activities	36,760,829	4,541,938	6,078,701	1,729,918	(24,410,272)		(24,410,272)
							0
Business- type Activities							0
Wellness Center	554,795	404,018		2,110		(148,667)	(148,667)
Total primary government	37,315,624	4,945,956	6,078,701	1,732,028	(24,410,272)	(148,667)	(24,558,939)
	General revenues:						
	Taxes:						
	Property taxes, levied for general purpose				17,502,269		17,502,269
	Local option sales tax				5,933,168		5,933,168
	Other taxes and licenses				352,588		352,588
	Grants and contributions not restricted to specific programs				1,247,828		1,247,828
	Investment earnings, unrestricted				167,397	9	167,406
	Miscellaneous, unrestricted				161,672		161,672
	Gain on Sale of Assets				149,045		149,045
	Transfers				(48,000)	48,000	
	Total general revenues				25,465,967	48,009	25,513,976
	Change in net assets				1,055,695	(100,658)	955,037
	Net assets-beginning				14,142,559	2,336,174	16,478,733
	Net assets-ending				$ 15,198,254	$ 2,235,516	17,433,770

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

Exhibit 3

Cherokee County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2009

	Major Funds			
	General	**Debt Service**	**Total Non-Major Funds**	**Total Governmental Funds**
ASSETS				
Cash and cash equivalents	$ 7,398,525	$ 473	$ 1,053,676	$ 8,452,674
Investments	105,987	2,082,372	-	2,188,359
Receivables, net:	-			-
Taxes	1,446,936		141,542	1,588,478
Accounts	631,500		-	631,500
Due from other governments	2,644,589		163,017	2,807,606
Due from other Funds	108,534			108,534
Total assets	$ 12,336,071	$ 2,082,845	$ 1,358,235	$ 15,777,151
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$ 1,875,337	$ -	$ 159,591	$ 2,034,928
Due to other funds	-	-	108,534	108,534
Deferred revenue Taxes	1,668,663	-	141,542	1,810,205
Unearned revenue	113,797	-	-	113,797
Total liabilities	3,657,797	-	409,667	4,067,464
Fund balances:				
Reserved for:				
School Capital Outlay	613,109	-	-	613,109
Encumbrances	219	-	-	219
State statute	3,162,896	-	2,880	3,165,776
Unreserved:				
Designated for subsequent Years' expenditures	-	-	-	-
Designated for Health Department	66,719	-	-	66,719
Designated for Law Enforcement	107,956	-	-	107,956
Designated for Debt Service	-	2,082,845	-	2,082,845
Designated for School Capital Outlay	927,072	-	-	927,072
Undesignated	3,800,303	-	945,688	4,745,991
Total fund balances	8,678,274	2,082,845	948,568	11,709,687
Total liabilities and fund balances	$ 12,336,071	$ 2,082,845	$ 1,358,235	$ 15,777,151

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, 2009

Total Fund Balances for Governmental Funds (Exhibit 3)	11,709,687
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.	29,229,908
	-
Deferred Costs of loans are not financial resources and therefore are not reported in the funds	63,545
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.	265,791
Liabilities for earned but deferred revenues in fund statements.	1,810,205
Some liabilities, including bonds payable, Landfill Closure, and accrued interest, pension and other post employment benfits are not due and payable in the current period and therefore are not reported in the funds (Note 4).	(27,880,882)
Net assets of governmental activities	$ 15,198,254

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

Exhibit 4

Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2009

	Major Funds			
	General Fund	**Debt Service**	**Total Non-Major Funds**	**Total Governmental Funds**
REVENUES				
Ad valorem taxes	$ 15,450,811		$ 1,549,410	$ 17,000,221
Local option sales tax	5,933,168			5,933,168
Other taxes and licenses	384,889		-	384,889
Unrestricted intergovernmental	1,247,828		-	1,247,828
Restricted intergovernmental	5,443,789		2,382,298	7,826,087
Restricted Other	-		-	-
Permits and fees	1,779,610			1,779,610
Sales and services	2,712,559		-	2,712,559
Investment earnings	87,759	72,120	7,518	167,397
Miscellaneous	702,481		-	702,481
Total revenues	33,742,894	72,120	3,939,226	37,754,240
EXPENDITURES				
Current:				
General government	3,085,480		286,564	3,372,044
Public safety	9,346,630		1,645,860	10,992,490
Transportation	831,402		1,632,757	2,464,159
Economic and physical development	578,854		214,378	793,232
Environmental Protection	1,989,153		-	1,989,153
Human services	8,147,087		-	8,147,087
Cultural and recreational	553,250		-	553,250
Education	6,377,441		2,948,845	9,326,286
Principal retirement	2,472,876		-	2,472,876
Interest and other charges	610,606		-	610,606
Total Expenditures	33,992,779	-	6,728,404	40,721,183
Excess (deficiency) of Revenues over Expenditures	(249,885)	72,120	(2,789,178)	(2,966,943)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	383,561	219,164	602,725
Transfers to other funds	(650,726)		-	(650,726)
Debt issued	920,124		3,171,355	4,091,479
Total other financing sources (uses)	269,398	383,561	3,390,519	4,043,478
Net change in fund balance	19,513	455,681	601,341	1,076,535
Fund balances-beginning	8,658,761	1,627,164	347,227	10,633,152
Fund balances-ending	$ 8,678,274	$ 2,082,845	$ 948,568	$ 11,709,687

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

Exhibit4.1

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, 2009

Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	$ 1,076,535
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.	1,456,488
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Increase in Accrued Interest Rec Taxes	47,391
Increase in Deferred taxes	454,657
Increase in Accrued Interest Payable	(9,694)
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.	(1,618,605)
	-
Increase in defferred charges - loan issuance cost	28,030
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:	
Increase in Accrued Vacation	(73,616)
Increase in Accrued Landfill Closure Costs	(130,004)
Increase in Accrued Other Post Employment Benfits	(160,081)
Increase in Accrued Pension Cost	(15,405)
Total changes in net assets of governmental activities	$ 1,055,696

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

Exhibit 5

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, 2009

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	$ 15,730,464	$ 15,330,464	$ 15,450,811	$ 120,347
Local option sales tax	6,856,989	6,704,842	5,933,168	(771,674)
Other taxes and licenses	577,762	366,261	384,889	18,628
Unrestricted intergovernmental	936,000	1,334,060	1,247,828	(86,232)
Restricted intergovernmental	4,821,243	5,398,510	5,443,789	45,279
Permits and fees	2,366,338	1,789,345	1,779,610	(9,735)
Sales and services	2,746,162	2,819,956	2,712,559	(107,397)
Investment earnings	231,200	101,200	87,759	(13,441)
Miscellaneous	120,993	676,136	702,481	26,345
Total revenues	34,387,151	34,520,774	33,742,894	(777,880)
Expenditures				
Current:				
General government	3,574,982	3,369,697	3,085,480	284,217
Public safety	8,625,339	9,619,966	9,346,630	273,336
Transportation	909,051	869,051	831,402	37,649
Economic and physical development	603,177	612,947	578,854	34,093
Environmental Protection	1,407,441	2,025,513	1,989,153	36,360
Human services	8,444,370	8,586,371	8,147,087	439,284
Cultural and recreational	567,083	587,026	553,250	33,776
Intergovernmental:				
Education	6,187,770	6,425,025	6,377,441	47,584
Debt service:				
Principal retirement			2,472,876	
Interest and other charges			610,606	
Total Debt Service	3,296,515	3,285,146	3,083,482	201,664
Total expenditures	33,615,728	35,380,742	33,992,779	1,387,963
Revenues over (under) expenditures	771,423	(859,968)	(249,885)	610,083
Other financing sources (uses):				
Contingency		-	-	-
Use of Fund Balance	-	537,310	-	(2,220,484)
Transfers from other funds	-	55,429	-	(55,429)
Transfers to other funds	(704,895)	(652,895)	(650,726)	2,169
Installment purchase obligations issued	-	920,124	920,124	-
Total other financing sources (uses)	(704,895)	859,968	269,398	(2,273,744)
Net Change in Fund Balance	$ 66,528	$ -	$ 19,513	$ (1,663,661)
Fund balances:				
Beginning of year			8,658,761	
End of year, June 30			$ 8,678,274	

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

Exhibit 6

Cherokee County, North Carolina
Statement of Net Assets
Pool and Wellness Center
Proprietary Fund
June 30, 2009

ASSETS		
Current assets:		
Cash and cash equivalents	$	60,738
Total current assets		60,738
Noncurrent assets:		
Capital assets:		
Other capital assets, net of depreciation		3,273,603
Total capital assets		3,273,603
Total noncurrent assets		3,273,603
Total assets		3,334,341
LIABILITIES		
Current liabilities:		
Accounts payable		7,684
Accrued Wages		6,113
Accrued Interest Payable		33,235
Customer deposits		57,252
Current Portion of Long Term Debt		10,642
Total current liabilities		114,926
Noncurrent liabilities:		
Long Term Debt (less Current portion)		979,138
Compensated Absences		4,761
Total noncurrent liabilities		983,899
Total liabilities		1,098,825
NET ASSETS		
Invested in capital assets, net of related debt		2,283,823
Unrestricted		(48,307)
Total net assets	$	2,235,516

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, 2009

OPERATING REVENUES		
Membership & Fees	$	404,018
Total operating revenues		404,018
OPERATING EXPENSES		
Salaries & Employee Benefits		231,604
Supplies		27,149
Travel		2,766
Utilities		110,566
Maintenance		20,634
Interest		37,816
Other		16,517
Advertising		2,120
Small non capitalized equipment		4,901
Depreciation		100,722
Total operating expenses		554,795
Operating income (loss)		(150,777)
NONOPERATING REVENUES (EXPENSES)		
Contributions		2,110
Interest revenue		9
Transfers from other Funds		48,000
Change in net assets		(100,658)
Total net assets, beginning		2,336,174
Total net assets, ending	$	2,235,516

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, 2009

Cash flows from operating activities:		
Cash received from customers	$	389,965
Cash paid for goods and services		(185,552)
Cash paid to employees for services		(227,998)
Net cash used by operating activities		(23,585)
Cash flows from noncapital financing activities		
Contributions		2,210
Collection of Accounts Receivables		20,013
		22,223
Cash flows from investing activities		
Interest earnings		9
Cash flows from capital and related financing activities:		
Repayment of long Term Debt		(10,220)
Repayment of advance from other funds		(6,879)
Reduction in accured interest		(3,433)
Interest Paid on Installment financing		(37,816)
Transfers from other funds		48,000
Net cash used by capital and related financing activities		(10,348)
Net increase (decrease) in cash and cash equivalents		(11,701)
Cash and cash equivalents, beginning		72,539
Cash and cash equivalents, ending	$	60,838

The notes are an integral part of this statement

Exhibit 8

	Pool and Wellness Center Fund
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (Loss)	$ (150,777)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	100,722
Interest	37,816
Changes in assets and liabilities:	
Increase (decrease) in customer deposits	(14,053)
Decrease in Accounts Payable	(899)
Increase in Accrued compensation	3,606
Net cash used by operating activities	(23,585)

The notes are an integral part of this statement

Exhibit 9

Cherokee County, North Carolina
Statement of Fiduciary Net Assets
For the Year Ended June 30, 2009

	Agency Fund
ASSETS	
Cash and cash equivalents	$ 86,910
LIABILITIES AND NET ASSETS	
Liabilities:	
Miscellaneous Liabilities	$ 81,070
Intergovernmental Payables	5,840
Total liabilities	86,910
Net Assets	$ -

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

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.

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; and the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles, 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 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 2008 through February 2009 apply to the fiscal year ended June 30, 2009. 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, 2009 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 no restricted cash as of June 30, 2009

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, 2008.

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

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 business-type activities, or proprietary fund type 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 2009-2010 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.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2009, the expenditures made in the three departments exceeded the authorized appropriations made by by a total of $32,065. These over-expenditures occurred because of unplanned payroll expenditures. Management and the Board will more closely review the budget reports to ensure compliance in future years.

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 collaterization, 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, 2009, the County's deposits had a carrying amount of $8,596,683 and a bank balance of $9,801,481. Of the bank balance, $297,263 was covered by federal depository insurance, and $9,504,218 in deposits was covered by collateral held under the Pooling Method.

At June 30, 2009, Cherokee County had $2,600 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, 2009, the County's investment balances were as follows:

Investment Type	Fair Value	Less than 6 Months
Commercial Paper	$ 1,190,010	$ 1,190,010
FNMA Discount Note	890,406	890,406
NC Capital Management Trust:		
Cash Portfolio	107,942	N/A
TOTAL	$ 2,188,358	$ 2,080,416

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

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, 2009, 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 AAAm by Standard & Poor's as of June 30, 2009. The County's investment in US Agencies (FNMA are rated A-1+ by Standard & Poor's and P-1 by Moody's Investors Service.

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 $1,190,010 investment in commercial paper and $890,406 investment in FNMA 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 HSBC Finance commercial paper and a FNMA discount note . These investments are 55% and 40% respectively of the County's total investments.

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
2005	355,846	96,078	451,924
2006	349,628	62,933	412,561
2007	366,570	32,991	399,561
2008	730,694	-	730,694
Total	$ 1,802,738	$ 192,002	$ 1,994,740

4. Receivables

Receivables at the government-wide level at June 30, 2009, were as follows:

	Accounts	Taxes	Due from Other Governments	Total
Governmental Activities:				
General	$ 688,524	$ 1,629,215	$ 2,644,589	$ 4,962,328
Other Governmental		141,542	163,017	304,559
Total receivables	688,524	1,770,757	2,807,606	5,266,887
Allowance for doubtful accounts	(57,024)	(182,279)	-	(239,303)
Total-governmental activities	$ 631,500	$ 1,588,478	$ 2,807,606	$ 5,027,584

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

State of NC Local Option Sales Tax	$1,814,826
State of NC - Other	731,635
USA	24,806
Other Governments	2,579
TVA	70,743
Total	$2,644,589

5. Capital Assets

Primary Government

Capital Asset activity for the year ended June 30, 2009 was as follows:

Governmental Activities:

	Beginning Balances	Increases	Transfer	Decreases	Ending Balances
Capital assets not being depreciated:					
Land	$ 4,669,122	$ 962,165	$ 7,436	$ -	$ 5,638,723
Construction in progress	380,602	678,028	(169,651)		888,979
Total capital assets not being depreciated	5,049,724	1,640,193	(162,215)	0	6,527,702
Capital assets being depreciated:					
Buildings	16,688,672				16,688,672
Other Improvements	9,628,157	21,288	5,414		9,654,859
Equipment	1,689,936	512,648		450,976	1,751,608
Computers & other Electronic Equipment	2,705,430	148,375	156,801		3,010,606
Vehicles and motor equipment	3,060,845	1,168,431		302,973	3,926,303
Total capital assets being depreciated	33,773,040	1,850,742	162,215	753,949	35,032,048
Less accumulated depreciation for:					
Buildings	2,700,741	320,009			3,020,750
Other improvements	3,112,239	400,404			3,512,643
Equipment	902,409	112,968		90,195	925,182
Computers & other Electronic Equipment	2,074,993	357,552			2,432,545
Vehicles and motor equipment	2,258,963	475,484		295,725	2,438,722
Total accumulated depreciation	11,049,345	1,666,417	-	385,920	12,329,842
Total capital assets being depreciated, net	22,723,695				22,702,206
Governmental activity capital assets, net	$ 27,773,419				$ 29,229,908

Business Type activities:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Business Type Activities					
Capital assets being depreciated:					
Buildings	$ 3,087,019				$ 3,087,019
Other Improvements	263,524				263,524
Equipment	111,820		-		111,820
Computers & other Electronic Equipment	7,613				7,613
Total capital assets being depreciated	3,469,976	-	-		3,469,976
Less accumulated depreciation for:					
Buildings	64,408	61,740			126,148
Other improvements	12,948	25,896			38,844
Equipment	15,440	11,182			26,622
Computers & other Electronic Equipment	2,855	1,903			4,758
Total accumulated depreciation	95,651	100,722	-		196,373
Total capital assets being depreciated, net	3,374,325				3,273,604
Business activity capital assets, net	$ 3,374,325				$ 3,273,604

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

Governmental Activities:		
General government	$	187,839
Public safety		751,387
Transportation		272,295
Economic and physical development		31,573
Human services		125,289
Environmental Protection		265,394
Cultural and recreational		32,640
Total depreciation expense	$	1,666,417

Construction commitments

The County has active construction projects as of June 30, 2009. The projects include, the airport, and. At June 30, 2009, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Airport Improvements	$ 888,978	$ 941,725

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2009, were as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General	$ 496,070	$ 1,379,267	$ 1,875,337
Other Governmental	159,591	-	159,591
Total-governmental activities	$ 655,661	$ 1,379,267	$ 2,034,928

2. Pension Plan Obligations and Other Postemployment 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 4.96% 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, 2009, 2008, and 2007 were $487,384, $455,367, and $403,468, 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, 2008, the Separation Allowance's membership consisted of:

Retirees receiving Benefits	0
Terminated plan members entitled to but not yest receiving benefits	0
active plan members	26
Total	26

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies:

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

3. Contributions.

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

The annual required contribution for the fiscal year ended June 30, 2009 was determined as part of the December 31, 2008 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, 2007 was 23 years.

Employer annual required contribution	$	19,078
Interest on net pension obligation		6,670
Adjustment to annual required contribution		(5,815)
Annual pension cost		19,933
Employer contributions made for fiscal year ending 6-30-2008		4,528
Increase in net pension obligation		15,405
Net pension obligation at beginning of year		92,003
Pension obligation at end of fiscal year	$	107,408

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of Net Pension APC Contributed	Net Pension Obligation
6/30/2007	$13,670	0%	$76,321
6/30/2008	$15,682	0%	$92,003
6/30/2009	$19,933	22.71%	$107,408

4. Funded Status and Funding Progress.

As of December 31 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was $108,950. The covered payroll (annual payroll of active employees covered by the plan) was $1,070,465, and the ratio of the UAAL to the covered payroll was 10.2 percent.

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the 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, 2009 were $66,524, which consisted of $57,201 from the County and $9,323 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. Carolina 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. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Resisters of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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 3 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, 2009, the County's required and actual contributions were $2,954.

f. Other Postemployment Benefits

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, 2009, the County paid $46,170 for postretirement health benefit premiums. The County self funds health care coverage, and provides stop loss protection through private insurers.

Plan Description. Under a County resolution as of December 4, 2006, Cherokee County provides healthcare benefits through the Healthcare Benefits Plan (HCB Plan) as a single-employer defined benefit plan to cover 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 HCB Plan is available to qualified retirees at 100% until the age of 65 or until Medicare eligible, whichever is sooner. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	7	-
Terminated plan members entitled to but not yet receiving benefits		25
Active plan members	234	
Total	241	25

Funding Policy. The County pays the full cost of coverage for healthcare benefits paid to qualified retirees under a County resolution that can be amended by the Board of Commissioners. The County's members pay $419 per month for dependent coverage. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 2.28% of annual covered payroll. For the current year, the County contributed $46,170 or 0.6% of annual covered payroll. The County provides healthcare coverage through a self funded plan. The County's required contributions, under a Board resolution, for employees not engaged in law enforcement and for law enforcement officers represented 0.6% and 0.0% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of $19,209. The County's obligation to contribute to HCB Plan is established and may be amended by the Board of Commissioners.

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

Annual OPEB Cost and Net OPEB Obligation. The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for healthcare benefits:

Annual required contribution	$	206,251
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost (expense)		206,251
Contributions made		(46,170)
Increase (decrease) in net OPEB obligation		160,081
Net OPEB obligation, beginning of year		-
Net OPEB obligation, end of year	$	160,081

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2009 were as follows:

3 Year Trend Information

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 206,251	22.4%	$ 160,081

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and thus the unfunded actuarial accrued liability (UAAL) was $2,020,073. The covered payroll (annual payroll of active employees covered by the plan) was $9,045,677, and the ratio of UAAL to the covered payroll was 28.7 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumption about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to the continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.5 to 5.00 percent annually. The investment rate included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008, was 30 years.

g. Other Employment benefits

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, 2009, the County made contributions to the State for death benefits of $15,537. 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.

The county also provides a $15,000 death benefit to full time employees. . For the fiscal year ended June 30, 2009, the County made contributions for death benefits of $6,901.

3. 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 $2,830,120 as landfill closure and post closure care liability at June 30, 2009 represents a cumulative amount reported to-date based on the use of 81.12 percent of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post closure care of $518,082 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.

4. 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 Activites:		
Prepaid taxes not yet earned	$ 93,000	$ 93,000
Grants received not yet earned	20,797	20,797
Taxes receivable (net)	1,782,516	
Total	$ 1,896,313	$ 113,797
Business Type Activites:		
Unearned Memberships	$ 57,252	$ 57,252

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 $26,850,660 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 a commercial carrier for individual losses in excess of $60,000 and aggregate annual losses in excess of $2,132,000.

In accordance with G.S. 159-29, The County's employees that have access to $100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Director of Finance and tax collector are each individually bonded for $100,000 each. The remaining employees that have access to funds are bonded under a blanket bond for $250,000.

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

b. Installment Purchases

As authorized by State law [G.S.160A-20 and 153A-158.1], the County financed various property improvements and additions for use by Cherokee County Board of Education during the fiscal year ended June 30, 2009 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.

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

The County's installment purchases are comprised of the following individual issues:

	June 30, 2008	Additions	Retirements	June 30, 2009
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.	$2,901,711		$790,527	$2,111,184
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.	10,144		3,322	6,822
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%	1,471,792		272,458	1,199,334
Installment purchase $1,800,000, 30 semi-annual payments of $30,000 Plus interest at an annual rate of 3.79% through Sept. 2023 issued 9-19-08 for school improvements		1,800,000	60,000	1,740,000
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	374,988	-	250,000	124,988
QZAB Installment purchase 1,371,355, 14 annual payments of $97,954 at an annual rate of Zero o% through August 2022, issued 8-14-08 for School improvements		1,371,355	-	1,371,355
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	423,804	-	135,873	287,931
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.	174,414		18,154	156,260
Installment purchase $1,750,000, 32 semi annual principal payments of $58,333 plus interest at an annual rate of 4.33% through June 2017 issued 12-17-02 for schools	1,108,332		116,667	991,665

	June 30, 2008	Additions	Retirements	June 30, 2009
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 $920,124, 8 semi-annual payments of $115,015 plus interest, at 3.21% , through 7-18-2012 issued 7-7-08 for equipment and software.	-	920,124	115,016	805,108
Installment purchase, $565,507, 20 annual payments of $28,275 plus interest at an annual rate of 2.205% through May 2026, issued 5-6-06 for water improvements by the NC Drinking Water state Revolving Fund.	508,957	-	28,275	480,682
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.	42,073	-	20,457	21,616
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.	143,108	-	15,493	127,615
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.	390,000	-	30,000	360,000
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	2,024,550	-	149,967	1,874,583
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	6,066,666	-	466,666	5,600,000
	$22,390,539	$4,091,479	$2,472,875	$24,009,143

c.

The annual debt service requirements to maturity for the County are as follows:

Current Maturites on
Outstanding Debt

	Governmental Activities			Business Type Activities		
Yr.	Principal	Interest	Total	Principal	Interest	Total
6/30/2010	2,669,946	613,447	3,283,393	10,639	40,829	51,467
6/30/2011	2,572,479	520,451	3,092,930	11,077	40,390	51,467
6/30/2012	2,021,676	428,105	2,449,781	11,534	39,933	51,467
6/30/2013	1,482,031	363,729	1,845,760	12,010	39,457	51,467
6/30/2014	1,051,796	315,753	1,367,549	12,506	38,962	51,467
2015-2019	11,713,226	1,032,115	12,745,341	70,705	186,631	257,336
2020-2024	2,441,439	318,920	2,760,358	86,541	170,794	257,336
2025-2029	56,551	64,984	121,535	105,925	151,410	257,335
2030 and after			0	668,845	309,030	977,876
	24,009,143	3,657,503	27,666,646	989,783	1,017,435	2,007,217

d. Long-term Obligation activity

The following is a summary of changes in the County's long term obligations for the fiscal year ended June 30, 2009:

Governmental Activities:	**Balance June 30, 2008**	**Increases**	**Decreases**	**Balance June 30, 2009**	**Current Portion of Balance**
Installment purchases	$ 22,390,539	$ 4,091,479	$ 2,472,875	$ 24,009,143	$ 2,669,937
Landfill closure costs	2,700,185	129,985		2,830,170	
Other Post Employment Benefits	-	206,251	46,170	160,081	
Vacation payable	538,309	585,779	512,163	611,925	
Pension benefit obligation	92,003	19,933	4,528	107,408	
Total Governmental activities	$ 25,724,011	$ 5,033,427	$ 3,035,736	$ 27,718,727	$ 2,669,937
Business-type activities:					
Installment purchases	$ 1,000,000	$ -	$ 10,217	$ 989,783	$ 10,639

Compensated absences typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it as earned.

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2009, 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.	(181,165)
From the General Fund to the Revaluation Fund to provide resources for the next property revaluation .	(38,000)
From the General Fund to the Pool and Wellness Fund to provide operating support.	(48,000)
	(650,726)

Interfund Receivables and Payables:

The composition of interfund balances as of June 30, 2009 is as follows:

Receivable Entity	Payable Entity	Due From	Due to
General Fund		$ 108,534	$
	Scattered Sites		20,838
	Federal Cope Meth Grant		71,894
	Sheriff Community Grant		15,802
	Total	$ 108,534	$ 108,534

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, 2009. 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, 2009. 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, 2009. 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 peop

le 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	$ 48,661	$ -
Medicaid	27,390,638	10,791,266
WIC	665,570	
Food Stamp Program	3,909,008	-
Payments to Elderly and Disabled	-	243,811
Adoption Assistance	128,713	168,792
Energy Assistance	221,817	-
Total	$ 32,364,407	$ 11,203,869

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.
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.
- Schedule of Funding Progress for the Other Postemployment Benefits.
- Schedule of Employer Contributions for the Other Postemployment Benefits.
- Notes to the Required Schedules for the Other Postemployment Benefits.

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)
12/31/2003	$ -	$ 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%
12/31/2008	$ -	$ 108,950	108,950	0.00%	$ 1,070,465	10.18%

Cherokee County, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2007	13,670	0.00%
2008	15,682	0.00%
2009	19,933	23.70%

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	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	22 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

Cherokee County, North Carolina
Other Postemployment Benefits
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)
12/31/2008	$ -	$ 2,020,073	2,020,073	0.00%	$ 9,045,677	22.33%

Cherokee County, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2009	206,251	22.40%

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	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	10.5% - 5.00%
Year of Ultimate trend rate	2016
*Includes inflation at	3.75%

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

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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, 2009

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes:			
Taxes	$	$ 15,293,826	$
Penalties and interest		156,985	
Total	15,330,464	15,450,811	120,347
Local option sales taxes:			
Article 39 one percent		2,626,392	
Article 40 one - half of one percent		1,313,156	
Article 42 one - half of one percent		1,298,776	
Article 44 one - half of one percent		694,844	
Total	6,704,842	5,933,168	(771,674)
Other taxes and licenses:			
Deed stamp excise tax		181,304	
Car Rental Tax		7,048	
Occupancy Tax		103,259	
Solid Waste Disposal Tax		8,382	
Franchise Tax		58,423	
State and Federal Drug Tax		23,919	
Civil licenses		2,554	
Total	366,261	384,889	18,628
Unrestricted intergovernmental:			
Payments in lieu of taxes-outside sources		1,207,976	
NC Medicaid Hold harmless payments		(3,896)	
Fuel tax reimbursements		43,748	
Total	1,334,060	1,247,828	(86,232)

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, 2009

Restricted intergovernmental:			
Lottery Proceeds	$	$ 94,489	$
Social Services		2,458,727	
Senior Center		270,223	
Transportation		313,532	
Transportation- ROAP		141,129	
Criminal Justice Grant		31,571	
Other Grants		619,784	
US Forest Serv. Timber Receipts		255,859	
Health Dept. Medicaid		148,461	
Health Dept. state revenues		648,802	
Health Dept. grants		147,965	
Forest Service Co-op		3,896	
Tire Disposal tax grant		35,164	
Juvenile Crime Prevention		86,607	
Public School Build. Capital Fund		125,000	
Court facility fees		49,769	
ABC bottles taxes		12,811	
Total	5,398,510	5,443,789	45,279
Permits and fees:			
Building permits & inspections		162,459	
Landfill user fees		1,209,152	
Register of deeds		221,445	
Fire inspections		5,940	
Fire arms permits		17,670	
Water & Septic permits		162,944	
Total	1,789,345	1,779,610	(9,735)
Sales and services:			
Rents		49,624	
Landfill tipping fees		309,974	

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, 2009

Sales and Services continued:			
Health Dept. Fees	$	$ 374,044	$
Transportation fees		293,330	
Sheriff & Jail fees		322,664	
Ambulance fees		1,228,653	
Other sales		47,726	
Personnel Fees		85,237	
Vehicle tax collection fees		1,307	
Total	2,819,956	2,712,559	(107,397)
Investment earnings	101,200	87,759	(13,441)
Miscellaneous:			
ABC Store distributions	-	58,220	
Insurance proceeds		532,003	
Other	-	112,258	
Total	676,136	702,481	26,345
Total revenues	**34,520,774**	**33,742,894**	**(777,880)**
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		102,391	
Other operating expenditures		144,105	
Total	267,400	246,496	20,904
Administration:			
Salaries and employee benefits		134,212	
Other operating expenditures		17,459	
Capital Outlay		-	
Total	155,285	151,671	3,614

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, 2009

Expenditures, Continued:			
General government, Continued:			
Information Technology			
Salaries and employee benefits	$	$ 126,902	$
Other operating expenditures		57,252	
Capital outlay		9,706	
Total	234,161	193,860	40,301
Finance:			
Salaries and employee benefits		260,608	
Other operating expenditures		47,557	
Capital outlay		101,946	
Total	440,355	410,111	30,244
Tax Assessor:			
Salaries and employee benefits		353,179	
Other operating expenditures		93,954	
Capital outlay		-	
Total	461,401	447,133	14,268
Land Records:			
Salaries and employees benefits		116,164	
Operating expenditures		50,611	
Capital outlay		-	
Total	181,779	166,775	15,004
Tax Collector:			
Salaries and employee benefits		122,316	
Operating expenditures		32,496	
Capital outlay		-	
Total	194,151	154,812	39,339
Court Facilities:			
Operating expenditures		41,160	
Capital outlay		3,100	
Total	56,400	44,260	12,140
Board of Elections			
Salaries and employee benefits		164,515	
Other operating expenditures		32,909	
Capital outlay		3,254	
Total	223,017	200,678	22,339

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, 2009

Expenditures, Continued:			
General government, Continued:			
Register of deeds:			
Salaries and employee benefits	$	$ 147,693	$
Other operating expenditures		174,411	
Capital outlay		-	
Total	341,613	322,104	19,509
Public buildings/maintenance:			
Salaries and employee benefits		177,766	
Operating expenditures		165,412	
Capital outlay		8,372	
Total	393,871	351,550	42,321
Central services:			
Salaries and employee benefits			
Operating expenditures		38,149	
Insurance and bonds		338,281	
Capital outlay		-	
Total	400,664	376,430	24,234
Special Appropriations:			
Region A		19,600	
Total	19,600	19,600	-
Total general government	**3,369,697**	**3,085,480**	**284,217**
Public Safety:			
Sheriff:			
Salaries and employee benefits		1,892,685	
Other operating expenditures		419,750	
Capital outlay		270,964	
Total	2,602,824	2,583,399	19,425

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, 2009

Expenditures, Continued:			
Public safety continued:			
Criminal Justice:			
Salaries and employee benefits	$	$ 23,297	$
Other operating expenditures		30,427	
Capital outlay		-	
Total	59,734	53,724	6,010
Jail:			
Salaries and employee benefits		1,342,255	
Other operating expenditures		1,169,518	
Capital outlay		44,393	
Total	2,575,533	2,556,166	19,367
911 Addressing			
Salaries and employee benefits		45,841	
Other operating expenditures		14,970	
Capital outlay		-	
Total	152,621	60,811	91,810
Emergency communications:			
Salaries and employee benefits		446,249	
Other operating expenditures		47,542	
Capital outlay		-	
Total	532,862	493,791	39,071
Emergency management:			
Salaries and employee benefits		103,570	
Other operating expenditures		15,806	
Capital outlay		-	
Total	152,785	119,376	33,409
Ambulance service:			
Salaries and employee benefits		1,907,657	
Other expenditures		420,408	
Capital outlay		560,838	
Total	2,857,840	2,888,903	(31,063)

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, 2009

Expenditures, Continued:			
Public safety, Continued:			
Fire inspection:			
Salaries and employee benefits	$	$ 103,499	$
Other operating expenditures		40,725	
Capital outlay		-	
Total	173,140	144,224	28,916
Building inspection:			
Salaries and employee benefits		271,014	
Other operating expenditures		24,144	
Capital outlay		-	
Total	318,931	295,158	23,773
Medical examiner:			
Other operating expenditures		12,600	
Total	20,000	12,600	7,400
Animal Control			
Other operating expenditures		2,830	
Total	9,600	2,830	6,770
Special appropriations:			
NC Forest Service-Fire protection		35,648	
Valley River Rescue Squad		50,000	
Cherokee County Rescue Squad		50,000	
Total	164,096	135,648	28,448
Total public safety	**9,619,966**	**9,346,630**	**273,336**

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, 2009

Expenditures, Continued:			
Transportation:			
Airport:			
Other operating expenditures	$	$ 42,254	$
Capital outlay		-	
Total	43,050	42,254	796
Public Transportation			
Salaries and employee benefits		432,426	
Other operating expenditures		152,427	
Capital Outlay		204,295	
Total	826,001	789,148	36,853
Total Transportation	**869,051**	**831,402**	**37,649**
Economic and physical development:			
Economic Development:			
Salaries and employee benefits		24,968	
Other operating expenditures		3,782	
Grants		-	
Total	28,101	28,750	(649)
Cooperative Extension:			
Salaries and employee benefits		139,286	
Other operating expenditures		15,959	
Capital outlay		-	
Grants		39,409	
Total	226,482	194,654	31,828
Soil and water:			
Salaries and employee benefits		86,806	
Total	87,371	86,806	565
Tourism authorities:			
Cherokee County Board of Tourism	102,657	100,308	2,349

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, 2009

Expenditures, Continued:			
Economic Development:			
Continued:			
Special appropriations:			
Town of Murphy-water and sewer	$	$ 77,685	$
Soil and water conservation district		88,151	
Hiawassee River Coalition		2,500	
Total	168,336	168,336	-
Total economic and physical development	**612,947**	**578,854**	**34,093**
Environmental protection:			
Solid waste:			
Salaries and employee benefits		774,817	
Operating expenditures		510,551	
Capital outlay		703,785	
Total environmental protection:	**2,025,513**	**1,989,153**	**36,360**
Human services:			
Health:			
Administration:			
Salaries and employee benefits		1,424,584	
Other operating expenditures		322,328	
Capital outlay		-	
Total	1,752,604	1,746,912	5,692
Health programs:			
Health promotion		579	
Bio Terrorism		2,512	
Immunization		3,683	
Communicable disease		2,819	
Adult health		1,195	
spf-sig		52,613	

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, 2009

Expenditures, Continued:			
Human Services, Health Programs			
Continued:			
Maternal health	$	$ 26,888	$
Womens Health		660	
MOD Cordinator		10,491	
Breast and Cervical Cancer		13,474	
School Based Clinic		89,921	
School Nurse Initiative		107,074	
STD		500	
Family planning		41,238	
WIC		2,378	
Child Health		9,428	
Child Service Coordinator		659	
Health Check		691	
Environmental Health:			
Salaries and employee benefits		376,219	
Other operating expenditures		25,940	
Capital outlay		-	
Total Environmental Health		402,159	
Total Health Dept. Programs	886,432	768,962	117,470
Mental Health:			
Smoky Mountain Center	80,000	80,000	-
Social services:			
Administration:			
Salaries and employee benefits		2,484,168	
Other operating expenditures		227,139	
Capital outlay		58,350	
Total	2,777,072	2,769,657	7,415
Social Service programs:	2,435,316	2,154,399	280,917
Total Social Services	5,212,388	4,924,056	288,332
Senior Center:			
Salaries and employee benefits		163,467	
Operating expenditures		167,848	
Capital outlay		-	
Total	356,569	331,315	25,254

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, 2009

Expenditures, Continued:			
Human Services, Health Programs Continued:			
Special appropriations:			
Industrial Opportunities Inc.	$	$ 54,000	$
State of Franklin Health Council		14,000	
Haven Child Advocacy		120,940	
Juvenile Crime Prevention Programs		103,502	
Cherokee County Food Bank		3,400	
Total	298,378	295,842	2,536
Total Human Services	**8,586,371**	**8,147,087**	**439,284**
Cultural and recreational:			
Library operating expenditures	192,545	192,545	-
Parks and recreation:			
Salaries and employee benefits		239,664	
Operating expenditures		74,653	
Capital outlay		8,743	
Total	357,189	323,060	34,129
Museum:			
Salaries and employee benefits		37,645	
Total	37,292	37,645	(353)
Total cultural and recreational	**587,026**	**553,250**	**33,776**

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, 2009

Expenditures, Continued:			
Education:			
Public schools--current expense	$	$ 4,877,363	$
Public schools capital outlay:			
County appropriations		895,444	
Community college--current		604,634	
Community college --capital outlay		-	
Total education	**6,425,025**	**6,377,441**	**47,584**
Debt service:			
Principal retirement		2,472,876	
Interest and fees		610,606	
Total debt service	**3,285,146**	**3,083,482**	**201,664**
Total expenditures	**35,380,742**	**33,992,779**	**1,387,963**
Revenues over (under) expenditures	**(859,968)**	**(249,885)**	**610,083**
Other financing sources (uses):			
Use of Fund Balance	537,310.00		(537,310)
Transfer from 911 Fund	55,429		(55,429)
Loan Proceeds	920,124	920,124	-
Transfer to Airport Improvement	(183,334)	(181,165)	2,169
Transfer to Revaluation Fund	(38,000)	(38,000)	-
Transfer to Debt Service Fund	(383,561)	(383,561)	-
Transfer to Pool and Wellness Fund	(48,000)	(48,000)	-
Total other financing sources(uses)	**859,968**	**269,398**	**(590,570)**
Increase (Decrease) in Fund Balance	**$ -**	**19,513**	**$ 19,513**
Fund balance:			
Beginning, July 1		**8,658,761**	
Ending June 30		**$ 8,678,274**	

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

Scattered Sites Housing Fund – This fund is established to account for the Grant to build housing for the elderly and disabled

Sheriff's Federal Methamphetamine Grant. – This fund accounts for a Multi year grant to fight the Methamphetamine drug problem in western NC

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, 2009

	Special Revenue Funds								Capital Projects Funds			
	Emergency Telephone System Fund	Fire District Fund	Revalu - ation Fund	Scattered Sites	Federal COPS Meth Grant	Sheriff's Community Grant	Bear Paw Service District	Total Nonmajor Special Revenue Funds	School Improvements	Airport Improvements	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets												
Cash and cash equivalents	$ 545,358	$ 17,071	$ 223,231	$ -	$ -	$ -	$ 3,966	$ 789,626	$ 171,743	$ 92,307	$ 264,050	$ 1,053,676
Investments	-	-	-		-	-	-	-	-	-	-	-
Taxes receivable (net)	-	131,863	-		-	-	9,679	141,542	-	-	-	141,542
Accounts Receivable	-	-	-		-	-	-	-			-	-
Due from other Governments	-	-	-	32,650	111,685	15,802	-	160,137	-	2,880	2,880	163,017
Deposits and Prepaids	-	-	-		-	-	-	-	-	-	-	-
Total assets	$ 545,358	$ 148,934	$ 223,231	$ 32,650	$ 111,685	$ 15,802	$ 13,645	$ 1,091,305	$ 171,743	$ 95,187	$ 266,930	$ 1,358,235
Liabilities and Fund Balances												
Liabilities:												
Accounts payable and accrued liabilities	$ 6,181	$ 17,071	$ -	$ 11,812	$ 39,791	$ -	$ 3,966	$ 78,821	$ 80,770	$ -	$ 80,770	$ 159,591
Due to other funds	-	-	-	20,838	71,894	15,802	-	108,534	-	-	-	108,534
Deferred revenue-Taxes	-	131,863	-		-	-	9,679	141,542	-	-	-	141,542
Unearned Revenues	-	-	-		-	-	-	-	-	-	-	-
Total liabilities	6,181	148,934	-	32,650	111,685	15,802	13,645	328,897	80,770	-	80,770	409,667
Fund balances:												
Reserved for encumbrances	-	-			-	-	-	-	-	-	-	-
Reserved by state statute	-	-	-		-	-	-	-		2,880	2,880	2,880
Reserved for subsequent year expenditures	-	-	-		-	-	-	-	-	-	-	-
Unreserved, undesignated	539,177	-	223,231		-	-	-	762,408	90,973	92,307	183,280	945,688
Total fund balances	539,177	-	223,231		-	-	-	762,408	90,973	95,187	186,160	948,568
Total liabilities and fund balances	$ 545,358	$ 148,934	$ 223,231	$ 32,650	$ 111,685	$ 15,802	$ 13,645	$ 1,091,305	$ 171,743	$ 95,187	$ 266,930	$ 1,358,235

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009

	Emergency Telephone System Fund	Fire District Fund	Revalu - ation Fund	Scattered Sites	Fed COPS Meth Grant	Sheriff's Community Grant	Bear Paw Service District	Total Nonmajor Governmental Funds	Capital Projects Funds: School Improvements	Capital Projects Funds: Airport Improvements	Capital Projects Funds: Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:												
Ad valorem taxes	$ -	$ 1,262,846	$ -	$ -	$ -	$ -	$ 286,564	$ 1,549,410	$ -	$ -	-	$ 1,549,410
Other taxes and licenses	-	-	-			-	-	-			-	-
Restricted intergovernmental	454,177	-	-	214,378	228,375	25,725	-	922,655	-	1,459,643	1,459,643	2,382,298
Restricted other	-							-			-	-
Investment earnings	3,214	-	1,685			-	-	4,899	2,619		2,619	7,518
Total revenues	457,391	1,262,846	1,685	214,378	228,375	25,725	286,564	2,476,964	2,619	1,459,643	1,462,262	3,939,226
Expenditures:												
Current:												
General government	-	-	-				286,564	286,564			-	286,564
Public safety	128,914	1,262,846	-		228,375	25,725	-	1,645,860			-	1,645,860
Transportation								-		1,632,757	1,632,757	1,632,757
Education								-	2,948,845		2,948,845	2,948,845
Economic Development	-	-	-	214,378		-	-	214,378			-	214,378
Total expenditures	128,914	1,262,846	-	214,378	228,375	25,725	286,564	2,146,802	2,948,845	1,632,757	4,581,602	6,728,404
Revenues over (under) expenditures	328,477	-	1,685	-	-	-	-	330,162	(2,946,226)	(173,114)	(3,119,340)	(2,789,178)
Other financing sources:								-			-	
Installment financings								-	3,171,355		3,171,355	3,171,355
Operating transfers in:								-			-	-
General Fund	-	-	38,000					38,000		181,164	181,164	219,164
Operating transfers out:								-			-	-
General Fund	-	-	-					-			-	-
	-	-	38,000			-	-	38,000	3,171,355	181,164	3,352,519	3,390,519
Increase (Decrease) in											-	
Fund Balance	328,477	-	39,685			-	-	368,162	225,129	8,050	233,179	601,341
								-			-	-
Fund balances:								-			-	-
Beginning of year, July 1	210,700	-	183,546	-		-	-	394,246	(134,156)	87,137	(47,019)	347,227
End of year, June 30	$ 539,177	$ -	$ 223,231	$ -	$ -	$ -	$ -	$ 762,408	$ 90,973	$ 95,187	$ 186,160	$ 948,568

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, 2009

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Restricted Intergovernmental	$ -	$ 454,177	$ -
Investment Earnings		3,214	-
	373,607	457,391	83,784
Expenditures			
Public Safety:			
Operating Expenditures		128,914	
Capital Outlay		-	
Public Safety	210,429	128,914	81,515
Revenues over (under) expenditures	163,178	328,477	165,299
Other financing uses:			
Operating transfers to (from) General Fund	(55,429)	-	55,429
Appropriated fund balance	-	-	-
	(55,429)	-	55,429
Increase (Decrease) in Fund Balance	$ 107,749	328,477	$ 220,728
Fund balances:			
Beginning of year, July 1		210,700	
End of year, June 30		$ 539,177	

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		
	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes:	$ 1,345,741	$ 1,262,846	$ (82,895)
Expenditures:			
Public safety:			
Bellview Fire District		88,146	
Brasstown Fire District		12,111	
Culberson Fire District		51,261	
Grape Creek Fire District		19,422	
Hanging Dog Fire District		38,285	
Hiwassee Fire District		145,515	
Wolf Creek Fire District		56,344	
Martins Creek Fire District		73,543	
Peachtree Fire District		161,439	
Murphy Rural Fire District		199,218	
Ranger Fire District		106,313	
Unaka Fire District		29,809	
Valleytown Fire District		281,440	
Total expenditures	1,345,741	1,262,846	82,895
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, 2009

	2008		
	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	$ -	$ 1,610	$ 1,610
Expenditures:			
Current:			
General government:			
Salaries and Employee benefits		-	
Other Operating Expenditures		-	
Capital Outlay		-	
Total	-	-	-
Revenues over (under) expenditures	-	1,610	1,610
Deficiency of Revenues under Expenditures - Use of Fund Balance	-	-	-
Contribution from General Fund	38,000	38,000	-
Increase (Decrease) in Fund Balance	38,000	39,610	1,610
Fund balances:			
Beginning of year, July 1		183,546	
End of year, June 30		$ 223,156	

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Cherokee County, North Carolina
Debt Service Fund
Statement of Revenues, Expenditures, and
For the Fiscal Year Ended June 30, 2009

	2009		
	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Investment Earnings	$ 77,857	$ 72,120	$ (5,737)
Other financing sources (uses):			
Operating transfers in:			
General Fund - Debt Service	383,561	383,561	-
Total other financing sources (uses)	383,561	383,561	-
Increase in Fund Balance	$ 461,418	$ 455,681	$ (5,737)
Fund balance:			
Beginning of year, July 1		1,627,164	
End of Year, June 30		$ 2,082,845	

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

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

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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, 2009

	Project Author-ization	Actual Prior Year	Actual Current Year	Actual Total to Date	Variance Favorable (Unfavorable)
Revenues					
Grants	$ 400,000	$ 185,622	$ 214,378	$ 400,000	$ -
	$ 400,000	$ 185,622	$ 214,378	$ 400,000	$ -
Expenditures					
Administration	38,900	15,068	23,832	38,900	-
Relocation Assistance	311,000	149,876	161,124	311,000	-
Clearance	39,100	20,678	18,422	39,100	-
Repair	9,900	-	9,900	9,900	-
local Option Admin	1,100	-	1,100	1,100	-
	400,000	185,622	214,378	400,000	-
Revenues (Under) Expenditures	-	-	-	-	-
Fund balance:					
Beginning of year, July 1			-		
End of Year, June 30			$ -		

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, 2009

	2009			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Ad valorem taxes:	$ 281,316	$ 301,316	$ 286,564	$ (14,752)
Expenditures:				
Bear Paw Service District	281,316	301,316	286,564	14,752
Increase (Decrease) in Fund Balance	$ -	$ -	-	$ -
Fund balances:				
Beginning of year, July 1			-	
End of year, June 30			$ -	

Cherokee County, North Carolina

Sheriff's Community Policing Grant

Statement of Revenues, Expenditures, and

Changes in Fund Balances - Budget and Actual

From Inception and for the Fiscal Year Ended June 30, 2009

	Project Author-ization	Actual Prior Year	Actual Current Year	Actual Total to Date	Variance Favorable (Unfavorable)
Revenues					
Grants	$ 52,137	$ 2,709	$ 25,725	$ 28,434	$ (23,703)
	$ 52,137	$ 2,709	$ 25,725	$ 28,434	$ (23,703)
Expenditures					
Wages and Benefits	33,072	2,554	13,124	15,678	17,394
Operating Expenses	19,067	155	12,601	12,756	6,311
Capital Outlay				-	-
	52,137	2,709	25,725	28,434	23,703
Revenues (Under) Expenditures	-	-	-	-	-
Fund balance:					
Beginning of year, July 1			-		
End of Year, June 30			$ -		

Cherokee County, North Carolina

Sheriff's Federal Methamphetamine Grant

Statement of Revenues, Expenditures, and

Changes in Fund Balances - Budget and Actual

From Inception and for the Fiscal Year Ended June 30, 2009

	Project Author-ization	Actual Prior Year	Actual Current Year	Actual Total to Date	Variance Favorable (Unfavorable)
Revenues					
Grants	$ 421,000	$ -	$ 228,375	$ 228,375	$ (192,625)
	$ 421,000	$ -	$ 228,375	$ 228,375	$ (192,625)
Expenditures					
Cherokee County	71,000	-	37,841	37,841	33,159
Macon county	70,000		31,384	31,384	38,616
Swain County	70,000		55,872	55,872	14,128
Graham County	70,000		41,187	41,187	28,813
Clay County	70,000		29,200	29,200	40,800
Jackson County	70,000		32,891	32,891	37,109
	421,000	-	228,375	228,375	192,625
Revenues (Under) Expenditures	-	-	-	-	-
Fund balance:					
Beginning of year, July 1			-		
End of Year, June 30			$ -		

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, 2009

	Project Author-ization	Actual Prior Years	Actual Current Year	Actual Total to Date	Variance Favorable (Unfavorable)
Revenues					
Restricted intergovernmental:					
Grant-36237.41.6.2	$ 850,000	$ 6,692	$ 843,308	$ 850,000	$ -
Grant-36244.55.3.1	200,000	174,844		174,844	25,156
Grant-36237.41.8.1	150,000		2,790	2,790	147,210
Grant-36237.41.9.2	1,470,000		613,545	613,545	856,455
Grant-36237.41.9.1	150,000		-	-	150,000
Total revenues	2,820,000	181,536	1,459,643	1,641,179	(1,178,821)
Expenditures					
Capital outlay:					
Land Acquisition	944,444	7,436	937,008	944,444	-
Pavement Rehabilitation	222,222	194,270	-	194,270	27,952
T Hanger Taxi lanes	166,666	-	3,100	3,100	163,566
Taxi ways extension Phase II	166,666	-	-	-	166,666
Taxi ways extension Phase I	1,633,333	24,116	667,492	691,608	941,725
Other Projects		744	25,157	25,901	(25,901)
Total expenditures	3,133,331	226,566	1,632,757	1,859,323	1,274,008
Revenues over (under) expenditures	(313,331)	(45,030)	(173,114)	(218,144)	95,187
Other financing sources:					
Operating transfers from General Fund	313,331	132,167	181,164	313,331	-
Increase (Decrease) in Fund Balance	$ 0	$ 87,137	$ 8,050	$ 95,187	$ 95,187
Fund balances:					
Beginning of year, July 1			87,137		
End of year, June 30			$ 95,187		

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, 2009

	Project Author-ization	Actual Prior Years	Actual Current Year	Actual Total to Date	Variance Favorable (Unfavorable)
Revenues					
Restricted intergovernmental:					
Interest			2,619	2,619	2,619
NC lottery Proceeds	$ 164,000	$ 164,000	$ -	$ 164,000	$ -
Total revenues	164,000	164,000	2,619	166,619	2,619
Expenditures					
Capital outlay:					
Murphy High School Project	1,600,000	108,269	1,199,184	1,307,453	292,547
Ranger School Addition	1,964,000	189,887	1,749,661	1,939,548	24,452
Total expenditures	3,564,000	298,156	2,948,845	3,247,001	316,999
Revenues over (under) expenditures	(3,400,000)	(134,156)	(2,946,226)	(3,080,382)	319,618
Other financing sources & Uses:					
QZAB Financing	1,600,000	-	1,371,355	1,371,355	(228,645)
Other installment Financing	1,800,000	-	1,800,000	1,800,000	-
	3,400,000	-	3,171,355	3,171,355	(228,645)
Increase (Decrease) in Fund Balance	$ -	$ (134,156)	$ 225,129	$ 90,973	$ 90,973
Fund balances:					
Beginning of year, July 1			(134,156)		
End of year, June 30			$ 90,973		

Enterprise Fund

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

Cherokee County, North Carolina
Wellness Center
Statement of Revenues, Expenditures
Budget and Actual (non-GAAP)
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Charges for Services				
Membership & Fees	$ 391,712	$ 396,352	$ 404,018	
Total operating revenues	391,712	396,352	404,018	7,666
Nonoperating Revenues:				
Contributions			2,110	
Interest earnings			9	
Total Nonoperating Revenues	-	-	2,119	2,119
Total revenues	391,712	396,352	406,137	9,785
Other financing Sources:				
Transfer from other funds:	-	48,000	48,000	
Total Revenues and other Financing sources	391,712	444,352	454,137	9,785
Expenditures:				
Operations:				
Salaries & Employee Benefits	199,958	229,578	231,604	(2,026)
Supplies	22,500	26,901	27,149	(248)
Travel	4,500	2,000	2,766	(766)
Utilities	97,515	111,148	110,566	582
Maintenance	2,000	19,571	20,634	(1,063)
Other	51,232	13,034	21,418	(8,384)
Advertising	3,000	2,120	2,120	-
Total operating expenses	380,705	404,352	416,257	(11,905)
Debt Service:				
Interest	40,000		41,250	
Principal			10,220	
Total	40,000	40,000	51,470	(11,470)
Total Expenditures:	420,705	444,352	467,727	(23,375)
Revenues and other financing sources over (under) Expenditures	(28,993)	-	(13,590)	(13,590)
Reconciliation from Budgetary Basis (modified accrual) to Full accrual:				
Decrease in accrued interest			3,434	
Debt Principal			10,220	
Depreciation			(100,722)	
Change in net assets			(100,658)	
Total net assets, beginning			2,336,174	
Total net assets, ending			$2,235,516	

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

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 Country.

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, 2009

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
Social Services				
Assets:				
Cash and cash equivalents	$ 274,567	$ 437,352	$ 670,363	$ 41,556
Liabilities:				
Miscellaneous liabilities	$ 274,567	$ 437,352	$ 670,363	$ 41,556
Sheriff's Fund				
Assets:				
Cash and cash equivalents	$ 34,419	$ 105,178	$ 100,083	$ 39,514
Liabilities:				
Miscellaneous liabilities	$ 34,419	$ 105,178	$ 100,083	$ 39,514
Fines and Forfeitures				
Assets:				
Cash and cash equivalents	$ -	$ 178,244	$ 178,244	$ -
Liabilities:				
Intergovernmental payable-Cherokee Co BD of Ed.	$ -	$ 178,244	$ 178,244	$ -
Motor Vehicle Tax				
Assets:				
Cash and cash equivalents	$ 8,467	$ 79,844	$ 82,471	$ 5,840
Liabilities:				
Intergovernmental payable	$ 7,376	$ 68,224	$ 70,794	$ 4,806
Intergovernmental payable-State of NC	1,091	11,620	11,677	1,034
Total	$ 8,467	$ 79,844	$ 82,471	$ 5,840
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	$ 317,453	$ 800,618	$ 1,031,161	$ 86,910
Liabilities:				
Miscellaneous liabilities	$ 308,986	$ 542,530	$ 770,446	$ 81,070
Intergovernmental payable	8,467	258,088	260,715	5,840
Total liabilities	$ 317,453	$ 800,618	$ 1,031,161	$ 86,910

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

Schedule of Fund Balances

Schedule of Long Term Debt

Cherokee County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2009

Fiscal Year	Uncollected Balance June 30, 2008	Additions	Collections And Credits	Uncollected Balance June 30, 2009
2008 - 2009	$ -	$ 15,686,610	$ 14,708,654	$ 977,956
2007 - 2008	765,553		513,574	251,979
2006 - 2007	183,547		73,911	109,636
2005 - 2006	82,122		16,954	65,168
2004 - 2005	59,578		9,339	50,239
2003 - 2004	52,309		6,707	45,602
2002 - 2003	50,826		5,421	45,405
2001 - 2002	41,345		3,350	37,995
2000 - 2001	41,349		2,310	39,039
1999 - 2000	7,171		975	6,196
1998 - 1999	4,118		4,118	0
	$ 1,287,918	$ 15,686,610	$ 15,345,313	1,629,215

Less: allowance for uncollectible accounts:	
General Fund	(245,091)
Ad valorem taxes receivable - net:	
General Fund	$ 1,384,124

Reconcilement with revenues:

Ad valorem taxes - General Fund	$ 15,450,811
Reconciling items:	
Interest collected	(156,985)
Prior year Tax releases	45,657
Taxes written off	5,830
Total reconciling items	(105,498)
Total collections and credits	$ 15,345,313

Cherokee County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2009

	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	$ 3,983,760,000	$ 0.385	$ 15,337,476	$ 14,604,774	$ 732,702
Motor vehicles taxed at prior year's rate	38,095,192	0.520	198,095	-	198,095
Penalties	-		10,159	10,159	0
Total	4,021,855,192		15,545,730	14,614,933	930,797
Discoveries:					
Current year taxes	58,300,000	0.385	224,455	224,455	-
Abatements	(21,707,792)	0.385	(83,575)	(68,022)	(15,553)
Total property valuation	$ 4,058,447,400				
Net levy			15,686,610	14,771,366	915,244
Uncollected Taxes at June 30, 2009			977,956	817,563	160,393
Current year's taxes collected			$ 14,708,654	$ 13,953,803	$ 754,851
Current levy collection percentage			93.77%	94.47%	82.48%

Cherokee County, North Carolina

Schedule of Transfers

For the Fiscal Year Ended June 30, 2009

	Transfers	
	From	To
Operating Transfers From/To Other Funds		
General Fund:		
Airport Improvement Fund		181,165
Debt Service Fund		383,561
Revaluation Fund		38,000
Pool and Wellness Center Proprietary Fund		48,000
Capital Projects Fund:		
Airport Improvement Fund		
General	181,165	
Debt Service Fund		
General	383,561	
Revaluation Fund		
General	38,000	
Pool and Wellness Center Proprietary Fund		
General	48,000	
	$ 650,726	$ 650,726

Cherokee County, North Carolina

Schedule of Governmental Fund Balances

	Fiscal Year				
	2009	2008	2007	2006	2005
General Fund					
Reserved	$ 3,163,115	$ 4,310,740	$ 3,758,638	$ 2,803,722	$ 3,566,145
Unreserved	5,515,159	4,348,021	5,714,784	4,747,266	4,649,803
Total General Fund	$ 8,678,274	$ 8,658,761	$ 9,473,422	$ 7,550,988	$ 8,215,948
All Other Funds					
Special Revenue Funds	$ 765,288	$ 394,246	$ 420,355	$ 270,085	$ 267,407
Capital Project Funds	183,280	(47,019)	5,892,309	8,696,950	802,698
Debt service Funds	2,082,845	1,627,164	1,189,314	771,610	364,185
Total All other Government Funds	$ 3,031,413	$ 1,974,391	$ 7,501,978	$ 9,738,645	$ 1,434,290
Total All Governmental Fund Balances	$ 11,709,687	$ 10,633,152	$ 16,975,400	$ 17,289,633	$ 9,650,238

Cherokee County, North Carolina

Schedule of Governmental Long Term Debt

	Fiscal Year				
	2009	2008	2007	2006	2005
Long term Debt					
School Installment Purchases	$ 13,719,984	$ 11,635,734	$ 12,630,362	$ 13,608,096	$ 14,149,271
Other installment Purchases	$ 10,289,159	$ 10,754,805	$ 12,502,185	$ 11,553,017	$ 4,914,425
Total installment Purchases	24,009,143	22,390,539	25,132,547	25,161,113	19,063,696
Capital Leases			26,852	79,015	129,187
Landfill Closure Cost	2,830,170	2,700,185	2,492,203	2,285,563	2,119,385
Vacation Payable	611,925	541,284	491,051	415,033	396,885
Pension Benefit Obligation	107,408	92,003	76,321	62,651	49,909
Other Post employment obligations	$ 160,081				
Total Long term Debt.	27,718,727	25,724,011	28,218,974	28,003,375	21,759,062
Debt service Funds					
Total All other Government Funds	$ 2,082,845	$ 1,627,164	$ 1,189,314	$ 771,610	$ 364,185
Net long term Obligations	$ 25,635,882	$ 24,096,847	$ 27,029,660	$ 27,231,765	$ 21,394,877
Annual Debt Service	$ 3,467,043	$ 3,786,576	$ 3,961,546	$ 2,812,776	$ 2,879,451
Annual Debt Sevice as a % General fund Expenditures and transfers	10.0%	11.5%	12.8%	9.2%	11.0%