

CHEROKEE COUNTY
MURPHY, NORTH CAROLINA

Murphy, North Carolina

Basic Financial Statements

June 30, 2010

(with Independent Auditors' Report thereon)

**Cherokee County, North Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010**

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Introductory Section

CHEROKEE COUNTY

Elected Officials

COMMISSIONERS

Jonathan Dickey - Chairman

David Sumpter - 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

Cindy Palmer – Interim Director of Social Services

Jim Higgins – Health Director

R. Scott Lindsay - Attorney

FINANCIAL SECTION

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Turner, Ennis, & Hatchett, CPA's, P.A.

Independent Auditor's Report

To the Board of County Commissioners

Cherokee County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of Cherokee County, North Carolina as of and for the year ended June 30, 2010 which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cherokee County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina, as of June 30, 2010, 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 November 5, 2010, 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 opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cherokee County, North Carolina's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on it.

Turner, Ennis & Hatchett, CPAs, P.A.

Turner, Ennis & Hatchett, CPA's, P.A.

Murphy, North Carolina
November 16, 2010

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, 2010

. 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

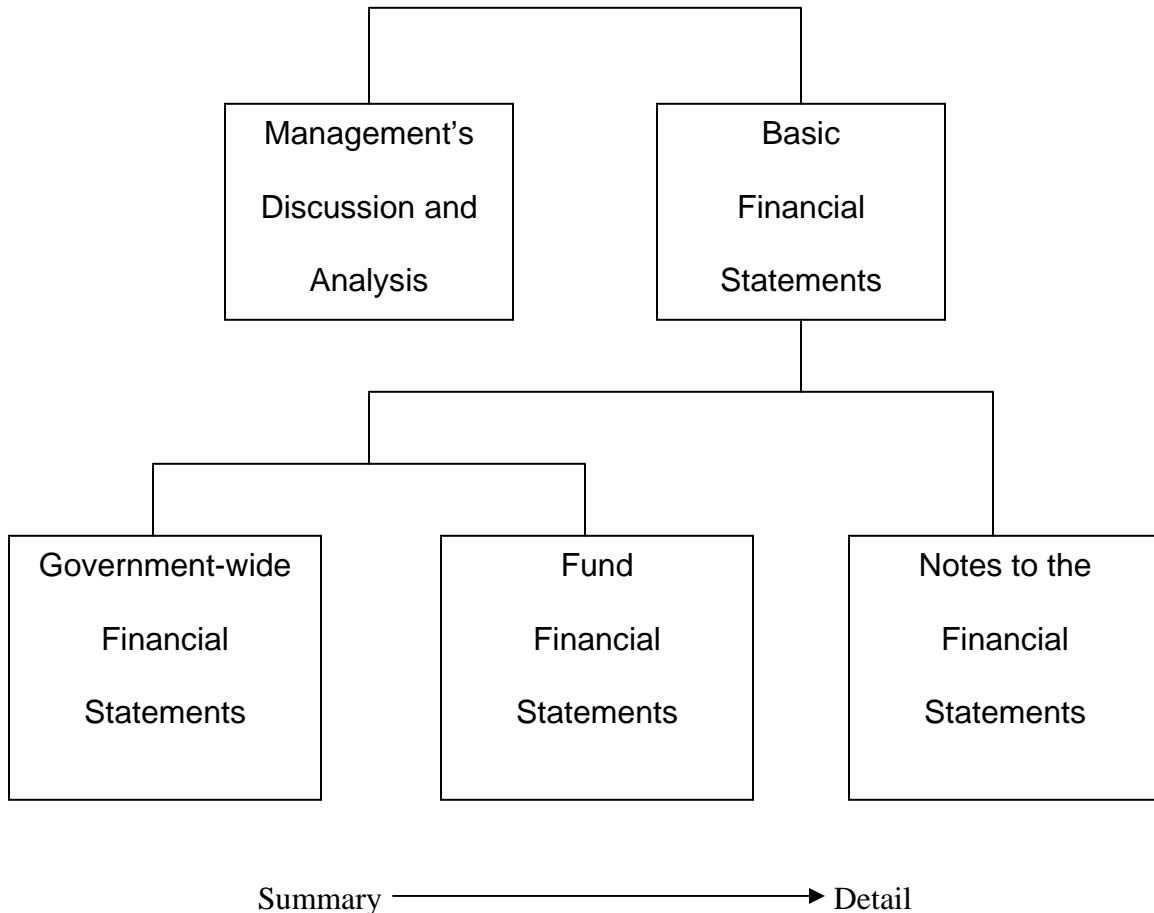
- The assets of Cherokee County exceeded its liabilities at the close of the fiscal year by \$23,399,667 (net assets).
- The government's total assets increased by \$4,281,811. The main assets additions were improvements and additional land at the airport.
- Total assets of the County were \$52,844,013.
- As of the close of the current fiscal year, Cherokee County's governmental funds reported combined ending fund balances of \$14,515,233 an increase of \$2,805,545 in comparison with the prior year.
- Approximately 74.9 percent of the fund balance, or \$11,304,638, is available for spending at the government's discretion (*unreserved fund balance*), an increase of \$2,760,946 from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$7,707,425, an increase of \$2,192,266 from the prior year. The unreserved fund balance is about 24.8 % of the total general fund expenditures and transfers for the fiscal year.
- Cherokee County did not issue any new debt during the year.

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 page 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 \$23,399,667

as of June 30, 2010. The County's net assets increased by \$5,965,897 for the fiscal year ended June 30, 2010.

One of the largest portions of net assets \$18,770,478 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 an unrestricted balance \$2,076,062. This is a result of the County debt for school Construction and water and sewer improvements. The assets, which were acquired, are carried on the books of other governmental units.

Net assets:

Cherokee County's Net Assets

Figure 2

CHEROKEE COUNTY'S NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 19,881,498	\$ 15,997,953	\$ 54,244	\$ 60,738	\$ 19,935,742	\$ 16,058,691
Internal Balances	-	-	-	-	-	-
Capital assets	29,727,994	29,229,908	3,180,277	3,273,603	32,908,271	32,503,511
Total assets	\$ 49,609,492	\$ 45,227,861	\$ 3,234,521	\$ 3,334,341	\$ 52,844,013	\$ 48,562,202
Long-term liabilities outstanding	\$ 25,049,243	\$ 25,049,243	\$ 979,138	\$ 979,138	26,028,381	26,028,381
Other liabilities	4,980,364	4,980,364	119,687	119,687	5,100,051	5,100,051
Total liabilities	\$ 30,029,607	\$ 30,029,607	\$ 1,098,825	\$ 1,098,825	\$ 31,128,432	\$ 31,128,432
Net assets:						
Invested in capital assets, net of related debt	16,569,457	19,497,829	2,201,021	2,283,823	18,770,478	21,781,652
Restricted	2,553,127	2,082,845	-	-	2,553,127	2,082,845
Unrestricted	2,121,064	(6,382,420)	(45,002)	(48,307)	2,076,062	(6,430,727)
Total net assets	\$ 21,243,648	\$ 15,198,254	\$ 2,156,019	\$ 2,235,516	\$ 23,399,667	\$ 17,433,770

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

- The County delayed some projects 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. Governmental activities increased the County's net assets by \$6,045,394. Key elements of this change are as follows:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 4,097,720	\$ 4,541,938	\$ 408,397	\$ 404,018	\$ 4,506,117	\$ 4,945,956
Operating grants and contributions	7,016,782	6,078,701			7,016,782	6,078,701
Capital grants and contributions	1,894,710	1,729,918	1,035	2,110	1,895,745	1,732,028
General revenues:						
Property taxes	17,587,091	17,502,269			17,587,091	17,502,269
Other taxes	5,050,737	5,933,168			5,050,737	5,933,168
Grants and contributions not restricted to specific programs	1,275,861	352,588			1,275,861	352,588
Other	473,552	1,725,942	6	9	473,558	1,725,951
Transfers	(60,000)	(48,000)	60,000	48,000	-	-
Total revenues	37,336,453	37,816,524	469,438	454,137	37,805,891	38,270,661
Expenses:						
General government	3,346,214	3,510,189			3,346,214	3,510,189
Public safety	10,665,482	11,042,333			10,665,482	11,042,333
Transportation	822,433	915,815			822,433	915,815
Economic and physical development	718,116	824,805			718,116	824,805
Human services	7,195,700	8,297,528			7,195,700	8,297,528
Cultural and recreation	519,417	570,574	548,935	554,795	1,068,352	1,125,369
Education	5,810,440	9,285,748			5,810,440	9,285,748
Interest on long-term debt	533,239	620,302			533,239	620,302
Environmental protection	1,680,018	1,693,535			1,680,018	1,693,535
Total expenses	31,291,059	36,760,829	548,935	554,795	31,839,994	37,315,624
Increase (Decrease) in net assets	6,045,394	1,055,695	(79,497)	(100,658)	5,965,897	955,037
Net assets, July 1	15,198,254	14,142,559	2,235,516	2,336,174	17,433,770	16,478,733
Net assets, June 30	\$ 21,243,648	\$ 15,198,254	\$ 2,156,019	\$ 2,235,516	\$ 23,399,667	\$ 17,433,770

- 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 \$79,497. 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 \$7,707,425 while total fund balance was \$10,821,499. 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 and transfers. Unreserved fund balance represents 24.8 percent of total General Fund expenditures and transfers, while total fund balance represents 34.9 percent of that same amount.

At June 30, 2010, the governmental funds of Cherokee County reported a combined fund balance of \$14,515,232 a 23.9 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 \$1,604,368 about a five percent change and increased expenditure by \$744,537 a 2.4% increase.

Capital Asset and Debt Administration

Capital Assets. Cherokee County's capital assets for its governmental type activities as of June 30, 2010, totals \$29,853,254 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles. Major capital asset transactions during the year include airport improvements and vehicles and equipment.

Cherokee County's Capital Assets

Figure 4

	Governmental		Business Type Activites		Total	
	Activities					
	2010	2009	2010	2009	2010	2008
Land	\$ 6,044,984	\$ 5,638,723	\$ -	\$ -	\$ 6,044,984	\$ 5,638,723
Buildings	13,347,912	13,667,922	2,899,130	2,960,871	\$ 16,247,042	16,628,793
Improvements	8,048,450	6,142,216	198,784	224,680	\$ 8,247,234	6,366,896
Equipment	768,513	826,426	81,421	85,198	\$ 849,934	911,624
Computers & Other Electronic Equipmnet	225,845	293,574	952	2,855	\$ 226,797	296,429
Softw are	181,752	284,487				
Vehicles and motorized equipment	1,154,538	1,487,581			\$ 1,154,538	1,487,581
Construction in progress	80,276	888,979	-	-	\$ 80,276	888,979
Total	\$ 29,852,270	\$ 29,229,908	\$ 3,180,287	\$ 3,273,604	\$ 32,850,805	\$ 32,219,025

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		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2008
Installment Purchases	\$ 21,338,967	\$ 24,009,143	\$ 979,256	\$ 989,783	\$ 22,318,223	\$ 24,998,926
Other:					-	-
Landfill closure obligations	2,961,344	3,830,170			2,961,344	3,830,170
Vacation payable	587,502	611,925			587,502	611,925
Pension benefit	121,955	107,408			121,955	107,408
Other Post Employment Benefits	396,353	160,081			396,353	160,081
	\$ 25,406,121	\$ 28,718,727	\$ 979,256	\$ 989,783	\$ 26,385,377	\$ 29,708,510

Cherokee County issued no new debt during the year.

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 \$326,757.361.

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, 2011

Governmental Activities: The County's property valuation will continue to slowly 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 increase approximately 4.5% to \$32,401,130. The change is a result of general increases in cost and not an expansion of new services.

Requests for Information

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

Basic Financial Statements

Cherokee County, North Carolina
Statement of Net Assets
June 30, 2010

	Primary Government		Total
	Governmental Activities	Business -type Activities	
ASSETS			
Cash and cash equivalents	\$ 11,670,848	\$ 54,244	\$ 11,725,092
Investments	2,675,965		2,675,965
Receivables (net)	3,177,236	-	3,177,236
Due from other governments	2,175,505		2,175,505
Internal Balances	-	-	-
Deferred charge - issuance costs	56,684		56,684
Capital assets:			
Land, improvements, and construction in progress	6,125,260		6,125,260
Other capital assets, net of depreciation	23,727,994	3,180,277	26,908,271
Total capital assets	29,853,254	3,180,277	33,033,531
Total assets	49,609,492	3,234,521	52,844,013
LIABILITIES			
Accounts payable and accrued expenses	2,259,618	18,909	2,278,527
Unearned revenue	544,626	47,468	592,094
Accrued interest payable	133,374	32,869	166,243
Long-term liabilities:			-
Due within one year	2,572,249	11,076	2,583,325
Due in more than one year	22,855,977	968,180	23,824,157
Total liabilities	28,365,844	1,078,502	29,444,346
NET ASSETS			
Invested in capital assets, net of related debt	16,569,457	2,201,021	18,770,478
Restricted for:			-
Capital Projects	-		-
Debt Service	2,553,127		2,553,127
Unrestricted (deficit)	2,121,064	(45,002)	2,076,062
Total net assets	\$ 21,243,648	\$ 2,156,019	\$ 23,399,667

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

Cherokee County, North Carolina
Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental Activities:			
General government	\$ 3,346,214	\$ 430,653	\$ 1,051
Public safety	10,665,482	2,317,616	962,448
Transportation	822,433	361,033	287,058
Economic and physical development	718,116	-	221,926
Environmental Protection	1,680,018	448,291	1,297,807
Human services	7,195,700	540,127	3,883,791
Cultural and recreation	519,417	-	-
Education	5,810,440	-	362,701
Interest on long-term debt	533,239	-	-
Total governmental activities	31,291,059	4,097,720	7,016,782
Business-type Activities			
Wellness Center	548,935	408,397	-
Total primary government	31,839,994	4,506,117	7,016,782
General revenues:			
Taxes:			
Property taxes, levied for general purpose			
Local option sales tax			
Other taxes and licenses			
Grants and contributions not restricted to specific programs			
Investment earnings, unrestricted			
Miscellaneous, unrestricted			
Gain on Sale of Assets			
Total general revenues excluding transfers			
Transfers			
Total general revenues and transfers			
Change in net assets			
Net assets-beginning			
Net assets-ending			

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ -	\$ (2,914,510)	\$ -	\$ (2,914,510)
-	(7,385,418)	-	(7,385,418)
1,662,540	1,488,198	-	1,488,198
-	(496,190)	-	(496,190)
24,000	90,080	-	90,080
-	(2,771,782)	-	(2,771,782)
-	(519,417)	-	(519,417)
208,170	(5,239,569)	-	(5,239,569)
-	(533,239)	-	(533,239)
1,894,710	(18,281,847)	-	(18,281,847)
			0
			0
1,035	-	(139,503)	(139,503)
1,895,745	(18,281,847)	(139,503)	(18,421,350)
	17,587,091	-	17,587,091
	4,642,149	-	4,642,149
	408,588	-	408,588
	1,275,861	-	1,275,861
	128,088	6	128,094
	246,669	-	246,669
	98,795	-	98,795
	24,387,241	6	24,387,247
	(60,000)	60,000	
	24,327,241	60,006	24,387,247
	6,045,394	(79,497)	5,965,897
	15,198,254	2,235,516	17,433,770
\$	21,243,648	\$ 2,156,019	\$ 23,399,667

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

Cherokee County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2010

	Major Funds			Total
	General	Debt Service	Total Non- Major Funds	Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 10,533,961	\$ -	\$ 1,136,887	\$ 11,670,848
Investments	138,909	2,537,059	-	2,675,968
Receivables, net:	-			-
Taxes	1,673,511		161,074	1,834,585
Accounts	1,020,749	16,068	-	1,036,817
Due from other governments	1,918,247		257,258	2,175,505
Due from other Funds	85,633			85,633
Total assets	\$ 15,371,010	\$ 2,553,127	\$ 1,555,219	\$ 19,479,356
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,091,711	\$ -	\$ 167,905	\$ 2,259,616
Due to other funds	-	-	85,633	85,633
Deferred revenue Taxes	1,913,174	-	161,074	2,074,248
Unearned revenue	544,626	-	-	544,626
Total liabilities	4,549,511	-	414,612	4,964,123
Fund balances:				
Reserved for:				
School Capital Outlay	317,155	-	-	317,155
Encumbrances	11,885	-	-	11,885
State statute	2,785,034	-	96,521	2,881,555
Unreserved:				
Designated for subsequent Years' expenditures	-	-	-	-
Designated for Health Department	59,446	-	-	59,446
Designated for Law Enforcement	133,134	-	-	133,134
Designated for Debt Service	-	2,553,127	-	2,553,127
Designated for School Capital Outlay	1,039,655	-	-	1,039,655
Undesignated	6,475,190	-	1,044,086	7,519,276
Total fund balances	10,821,499	2,553,127	1,140,607	14,515,233
Total liabilities and fund balances	\$ 15,371,010	\$ 2,553,127	\$ 1,555,219	\$ 19,479,356

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, 2010**

Total Fund Balances for Governmental Funds (Exhibit 3)	<u>14,515,233</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	29,853,254
	-
Deferred Costs of loans are not financial resources and therefore are not reported in the funds	56,684
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.	305,829
Liabilities for earned but deferred revenues in fund statements.	2,074,248
Some liabilities, including bonds payable, Landfill Closure, and accrued interest, pension and other post employment benefits are not due and payable in the current period and therefore are not reported in the funds (Note 4).	(25,561,600)
Net assets of governmental activities	<u><u>\$ 21,243,648</u></u>

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

Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2010

	Major Funds			Total Governmental Funds
	General Fund	Debt Service	Total Non-Major Funds	
REVENUES				
Ad valorem taxes	\$ 15,710,720		\$ 1,572,288	\$ 17,283,008
Local option sales tax	4,642,149			4,642,149
Other taxes and licenses	458,988		-	458,988
Unrestricted intergovernmental	1,275,861		-	1,275,861
Restricted intergovernmental	5,364,736		2,311,620	7,676,356
Restricted Other			-	-
Permits and fees	1,875,457			1,875,457
Sales and services	3,505,794		-	3,505,794
Investment earnings	38,038	86,720	3,330	128,088
Miscellaneous	246,669		-	246,669
Total revenues	<u>33,118,412</u>	<u>86,720</u>	<u>3,887,238</u>	<u>37,092,370</u>
EXPENDITURES				
Current:				
General government	2,869,191		288,341	3,157,532
Public safety	8,424,602		1,592,089	10,016,691
Transportation	632,208		1,872,133	2,504,341
Economic and physical development	604,340		82,203	686,543
Environmental Protection	1,291,242		-	1,291,242
Human services	7,057,182		-	7,057,182
Cultural and recreational	492,760		-	492,760
Education	5,749,939		60,501	5,810,440
Principal retirement	2,648,527		-	2,648,527
Interest and other charges	561,567		-	561,567
Total Expenditures	<u>30,331,558</u>	<u>-</u>	<u>3,895,267</u>	<u>34,226,825</u>
Excess (deficiency) of Revenues over Expenditures	<u>2,786,854</u>	<u>86,720</u>	<u>(8,029)</u>	<u>2,865,545</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	30,472	383,561	230,540	644,573
Transfers to other funds	(674,101)		(30,472)	(704,573)
Debt issued	-		-	-
Total other financing sources (uses)	<u>(643,629)</u>	<u>383,561</u>	<u>200,068</u>	<u>(60,000)</u>
Net change in fund balance	2,143,225	470,281	192,039	2,805,545
Fund balances-beginning	8,678,274	2,082,845	948,568	11,709,687
Fund balances-ending	<u>\$ 10,821,499</u>	<u>\$ 2,553,126</u>	<u>\$ 1,140,607</u>	<u>\$ 14,515,232</u>

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

Cherokee County, North Carolina
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2010

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

Net changes in fund balances - total governmental funds	\$ 2,805,545
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.	623,342
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	40,040
Increase (Decrease) in Deferred taxes	264,043
Increase (Decrease) in Accrued Interest Payable	28,328
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,648,527
Decrease in deferred charges - loan issuance cost	(6,861)
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:	
Decrease in Accrued Vacation	24,423
Increase in Accrued Landfill Closure Costs	(131,174)
Increase in Accrued Other Post Employment Benefits	(236,272)
Increase in Accrued Pension Cost	(14,547)
Total changes in net assets of governmental activities	\$ 6,045,394

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

Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 14,982,749	\$ 15,582,749	\$ 15,710,720	\$ 127,971
Local option sales tax	5,208,534	4,808,534	4,642,149	(166,385)
Other taxes and licenses	371,200	418,999	458,988	39,989
Unrestricted intergovernmental	1,222,951	1,346,745	1,275,861	(70,884)
Restricted intergovernmental	5,260,267	6,176,172	5,364,736	(811,436)
Permits and fees	1,714,227	1,784,227	1,875,457	91,230
Sales and services	3,064,606	3,166,492	3,505,794	339,302
Investment earnings	46,316	37,316	38,038	722
Miscellaneous	92,247	246,231	246,669	438
Total revenues	<u>31,963,097</u>	<u>33,567,465</u>	<u>33,118,412</u>	<u>(449,053)</u>
Expenditures				
Current:				
General government	3,169,062	3,062,631	2,869,191	193,440
Public safety	8,653,498	8,839,253	8,424,602	414,651
Transportation	800,782	673,357	632,208	41,149
Economic and physical development	483,130	992,074	604,340	387,734
Environmental Protection	1,410,770	1,370,770	1,291,242	79,528
Human services	7,576,665	7,617,249	7,057,182	560,067
Cultural and recreational	511,243	511,343	492,760	18,583
Intergovernmental:				
Education	5,528,993	5,812,003	5,749,939	62,064
Debt service:				
Principal retirement			2,648,527	
Interest and other charges			561,567	
Total Debt Service	<u>3,219,742</u>	<u>3,219,742</u>	<u>3,210,094</u>	<u>9,648</u>
Total expenditures	<u>31,353,885</u>	<u>32,098,422</u>	<u>30,331,558</u>	<u>1,766,864</u>
Revenues over (under) expenditures	<u>609,212</u>	<u>1,469,043</u>	<u>2,786,854</u>	<u>1,317,811</u>
Other financing sources (uses):				
Contingency	(279,984)	-	-	-
Use of Fund Balance	-	-	-	(2,220,484)
Transfers from other funds	-	30,472	30,472	-
Transfers to other funds	(475,228)	(682,095)	(674,101)	7,994
Installment purchase obligations issued	146,000	-	-	-
Total other financing sources (uses)	<u>(609,212)</u>	<u>(651,623)</u>	<u>(643,629)</u>	<u>(2,212,490)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 817,420</u>	<u>\$ 2,143,225</u>	<u>\$ (894,679)</u>
Fund balances:				
Beginning of year			8,678,274	
End of year, June 30			<u>\$ 10,821,499</u>	

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

Cherokee County, North Carolina
Statement of Net Assets
Pool and Wellness Center
Proprietary Fund
June 30, 2010

ASSETS

Current assets:

Cash and cash equivalents	\$ 54,244
Total current assets	<u>54,244</u>

Noncurrent assets:

Capital assets:

Other capital assets, net of depreciation	3,180,287
Total capital assets	<u>3,180,287</u>
Total noncurrent assets	<u>3,180,287</u>
Total assets	<u>3,234,531</u>

LIABILITIES

Current liabilities:

Accounts payable	7,517
Accrued Wages	7,918
Accrued Interest Payable	32,869
Customer deposits	47,468
Current Portion of Long Term Debt	11,076
Total current liabilities	<u>106,848</u>

Noncurrent liabilities:

Long Term Debt (less Current portion)	968,180
Compensated Absences	3,474
Total noncurrent liabilities	<u>971,654</u>
Total liabilities	<u>1,078,502</u>

NET ASSETS

Invested in capital assets, net of related debt	2,201,031
Unrestricted	(45,002)
Total net assets	<u>\$ 2,156,029</u>

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

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Exhibit 7

Cherokee County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Pool and Wellness Center
Proprietary Fund
For the Year Ended June 30, 2010

OPERATING REVENUES	
Membership & Fees	\$ 408,397
Total operating revenues	<u>408,397</u>
OPERATING EXPENSES	
Salaries & Employee Benefits	235,196
Supplies	25,436
Travel	2,017
Utilities	94,177
Maintenance	30,174
Interest	40,581
Other	15,253
Advertising	3,899
Small non capitalized equipment	1,078
Depreciation	101,114
Total operating expenses	<u>548,925</u>
Operating income (loss)	<u>(140,528)</u>
NONOPERATING REVENUES (EXPENSES)	
Contributions	1,035
Interest revenue	6
Transfers from other Funds	60,000
Change in net assets	<u>(79,487)</u>
Total net assets, beginning	<u>2,235,516</u>
Total net assets, ending	<u>\$ 2,156,029</u>

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

Cherokee County, North Carolina
Statement of Cash Flows
Pool and Wellness Center
Enterprise Fund
For The Fiscal Year Ended June 30, 2010

Cash flows from operating activities:	
Cash received from customers	398,613
Cash paid for goods and services	(172,201)
Cash paid for interest	(40,947)
Cash paid to employees for services	(234,678)
Net cash used by operating activities	<u>(49,213)</u>
Cash flows from noncapital financing activities	
Contributions	<u>1,035</u>
	<u>1,035</u>
Cash flows from investing activities	
Interest earnings	<u>6</u>
Cash flows from capital and related financing activities:	
Repayment of long Term Debt	(10,524)
Acquisition of Capitalized Assets	(7,798)
Transfers from other funds	<u>60,000</u>
Net cash used by capital and related financing activities	<u>41,678</u>
Net increase (decrease) in cash and cash equivalents	(6,494)
Cash and cash equivalents, beginning	<u>60,738</u>
Cash and cash equivalents, ending	<u><u>54,244</u></u>

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

	Pool and Wellness Center <u>Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (Loss)	<u>(140,528)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	101,114
Changes in assets and liabilities:	
Increase (decrease) in customer deposits	(9,784)
Increase (decrease) in Accrued Interest	(366)
Increase (decrease) in Accounts Payable	(167)
Increase (decrease) in Accrued compensation	518
Net cash used by operating activities	<u><u>(49,213)</u></u>

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

**Cherokee County, North Carolina
Statement of Fiduciary Net Assets
For the Year Ended June 30, 2010**

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 103,672
LIABILITIES AND NET ASSETS	
Liabilities:	
Miscellaneous Liabilities	\$ 98,334
Intergovernmental Payables State of North Carolina	5,338
Total liabilities	103,672
 Net Assets	 \$ -

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

Cherokee County, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2010

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; and the Deed of Trust Fee Fund which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

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 2009 through February 2010 apply to the fiscal year ended June 30, 2010. 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, 2010 because they are intended to finance the County's operations during the 2010 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 Federal Transportation Recovery Grant Fund, the Federal COPs Meth 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

CHEROKEE COUNTY, NC Notes to Basic Financial Statements

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, 2010

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, 2009.

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

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

7. Capital Assets

CHEROKEE COUNTY, NC Notes to Basic Financial Statements

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

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

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

	Years
Buildings	50
Improvements	10-25
Furniture and equipment	10
Software	4
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 2010-2011 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** During the current fiscal year it was discovered that a former department head had been diverting county funds for her personal use over a seven year period in the amount of \$175,112. The NC State Bureau of Investigation has the matter under investigation. The county will seek criminal charges against the former employee. Since the person was personally bonded, the county has filed a claim with the insurance company to recover the loss. There have been changes made to the billing methods used by the department to prevent this type of fraud in the future.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2010, the expenditures made in one department exceeded the authorized appropriations made by a total of \$2,800. These over-expenditures occurred because of more than anticipated cases. 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 collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2010, the County's deposits had a carrying amount of \$11,826,888 and a bank balance of \$12,009,196. Of the bank balance, \$322,800 was covered by federal depository insurance, and \$11,686,696 in deposits was covered by collateral held under the Pooling Method.

At June 30, 2010, Cherokee County had \$2,700 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, 2010, the County's investment balances were as follows:

Investment Type	Fair Value	Less than 6 Months
Commercial Paper	\$ 1,419,197	\$ 1,419,197
FNMA Discount Note	1,116,922	1,116,922
NC Capital Management Trust:		
Cash Portfolio	139,849	N/A
TOTAL	\$ 2,675,968	\$ 2,536,119

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, 2010, 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, 2010. The County’s investment in US Agencies (FNMA are not rated by Standard & Poor’s nor 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 \$1,419,197 investment in commercial paper and \$1,116,922 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 53% and 42% 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
2006	349,628	94,400	444,028
2007	366,570	65,982	432,552
2008	730,694	83,762	814,456
2009	780,883	-	780,883
Total	\$ 2,227,775	\$ 244,144	\$ 2,471,919

4. Receivables

Receivables at the government-wide level at June 30, 2010, were as follows:

	Accounts	Taxes	Due From Other Governments	Total
Governmental Activities				
General	\$ 1,074,923	\$ 2,118,261	\$ 1,918,283	\$ 5,111,467
Other	16,068	161,074	257,222	434,364
Total Receivables	1,090,991	2,279,335	2,175,505	5,545,831
Allowance for Doubtful accounts	-54,174	-138,916		-193,090
Total Governmental activities	\$ 1,036,817	\$ 2,140,419	\$ 2,175,505	\$ 5,352,741

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

State of NC Local Option Sales Tax	\$1,246,595
State of NC - Other	665,596
US Federal Gov.	78,749
Other Governments	94,508
TVA	90,057
Total	\$2,175,505

5. Capital Assets

Primary Government

Capital Asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balances	Increases	Transfer	Decreases	Ending Balances
Capital assets not being depreciated:					
Land	\$ 5,638,723	\$ 406,261		\$ -	\$ 6,044,984
Construction in progress	888,979	80,276	(888,979)		80,276
Total capital assets not being depreciated	<u>6,527,702</u>	<u>486,537</u>	<u>(888,979)</u>	<u>0</u>	<u>6,125,260</u>
Capital assets being depreciated:					
Buildings	16,688,672				16,688,672
Other Improvements	9,654,859	1,464,974	888,979		12,008,812
Equipment	1,751,607	60,318			1,811,925
Software	1,104,895	17,012		127,383	994,524
Computers & other Electronic Equipment	1,905,712	82,825			1,988,537
Vehicles and motor equipment	3,926,303	213,710		285,346	3,854,667
Total capital assets being depreciated	<u>33,773,040</u>	<u>1,838,839</u>	<u>888,979</u>	<u>412,729</u>	<u>37,347,136</u>
Less accumulated depreciation for:					
Buildings	3,020,750	320,010			3,340,760
Other improvements	3,512,643	447,719			3,960,362
Equipment	925,182	118,230			1,043,412
Software	820,408	119,746		127,383	812,771
Computers & other Electronic Equipment	1,612,136	150,556			1,762,692
Vehicles and motor equipment	2,438,722	546,753		285,346	2,700,129
Total accumulated depreciation	<u>11,049,345</u>	<u>1,703,014</u>	<u>-</u>	<u>412,729</u>	<u>13,620,126</u>
Total capital assets being depreciated, net	<u>22,723,695</u>				<u>23,727,010</u>
Governmental activity capital assets, net	<u>\$ 29,251,397</u>				<u>\$ 29,852,270</u>

Governmental Activities:

Business Type activities:

	Beginning Balances	Increases	Transfer	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	7,798			-	119,618
Computers & other Electronic Equipment	7,613					7,613
Total capital assets being depreciated	<u>3,469,976</u>	<u>7,798</u>	<u>-</u>	<u>-</u>		<u>3,477,774</u>
Less accumulated depreciation for:						
Buildings	126,149	61,740				187,889
Other improvements	38,844	25,896				64,740
Equipment	26,622	11,575				38,197
Computers & other Electronic Equipment	4,758	1,903				6,661
Total accumulated depreciation	<u>196,374</u>	<u>101,114</u>	<u>-</u>	<u>-</u>		<u>297,488</u>
Total capital assets being depreciated, net	<u>3,273,603</u>					<u>3,180,287</u>
Business activity capital assets, net	<u>\$ 3,273,603</u>					<u>\$ 3,180,287</u>

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

Governmental Activities:	
General government	\$ 182,144
Public safety	730,213
Transportation	348,013
Economic and physical development	31,573
Human services	88,077
Environmental Protection	288,099
Cultural and recreational	33,912
Total depreciation expense	\$ 1,702,032

Construction commitments

The County has active construction commitments with contractors at June 30, 2010. The project is the airport expansion:

Project	Spent-to-date	Remaining Commitment
Airport Improvements	\$ 80,276	\$ 984,401

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2010, were as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General	\$ 484,304	\$ 1,607,408	\$ 2,091,712
Other Governmental	167,905	-	167,905
Total-governmental activities	\$ 652,209	\$ 1,607,408	\$ 2,259,617

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, 2010, 2009, and 2008 were \$000,000, \$487,384, and \$455,367, 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, 2009, the Separation Allowance's membership consisted of:

Retirees receiving Benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
active plan members	30
Total	31

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, 2010 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, 2008 was 22 years.

Employer annual required contribution	\$	21,288
Interest on net pension obligation		7,787
Adjustment to annual required contribution		(6,766)
Annual pension cost		22,309
Employer contributions made for fiscal year ending 6-30-2010		7,762
Increase in net pension obligation		14,547
Net pension obligation at beginning of year		107,408
Pension obligation at end of fiscal year	\$	121,955

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of Net Pension APC Contributed	Net Pension Obligation
6/30/2008	\$15,682	0%	\$92,003
6/30/2009	\$19,933	22.71%	\$107,408
6/30/2010	\$22,309	34.79%	\$121,955

4. Funded Status and Funding Progress.

As of December 31 2009, 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 \$214,398. The covered payroll (annual payroll of active employees covered by the plan) was \$1,217,682, and the ratio of the UAAL to the covered payroll was 17.61 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 County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2010 were \$73,989, which consisted of \$60,321 from the County and \$13,668 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 Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, 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, 2010, 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, 2010, 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	80,829
Adjustment to annual required contribution	<u>(5,524)</u>
Annual OPEB cost (expense)	281,556
Contributions made	<u>(45,288)</u>
Increase (decrease) in net OPEB obligation	236,268
Net OPEB obligation, beginning of year	<u>160,081</u>
Net OPEB obligation, end of year	<u><u>\$ 396,349</u></u>

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2010 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
2010	\$ 281,556	16.8%	\$ 396,349

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, 2010, the County made contributions to the State for death benefits of \$16,618. 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, 2010, the County made contributions for death benefits of \$7,647.

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 \$2,961,344 as landfill closure and post closure care liability at June 30, 2010 represents a cumulative amount reported to-date based on the use of 85.78 percent of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post closure care of \$394,886 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 Activities:			
Prepaid taxes not yet earned	\$ 173,775	\$	173,775
Grants received not yet earned	370,851		370,851
Taxes receivable (net)	2,074,248		
Total	\$ 2,618,874	\$	544,626
Business Type Activities:			
Unearned Memberships	\$ 47,648	\$	47,648

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, 2010 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, software, buildings, and water Improvements.

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

	<u>June 30, 2010</u>
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.	\$1,290,412
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.	3,225
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%	916,341
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	1,620,000
QZAB Installment purchase 1,371,355, 14 annual payments of \$97,954 at an annual rate of Zero 0% through August 2022, issued 8-14-08 for School improvements	1,273,401
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	146,495
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.	137,168
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	874,998

	<u>June 30, 2010</u>
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.	575,078
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
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
Installment purchase, Authorized 862,835, 30 annual payments of \$43,142 plus interest at an annual rate of 2.205% through Nov. 2025 issued 5-6-06 for water improvements.	452,407
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.	111,492
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.	330,000
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	1,724,616
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	5,133,334
	<u>\$21,338,967</u>

c.

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

Current Maturities on
Outstanding Debt

Yr.	Governmental Activities			Business Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
6/30/2011	2,572,249	520,451	3,092,700	11,081	40,390	51,471
6/30/2012	2,021,676	428,105	2,449,781	11,538	39,933	51,471
6/30/2013	1,482,031	363,729	1,845,760	12,014	39,457	51,471
6/30/2014	1,051,796	315,753	1,367,549	12,509	38,962	51,471
6/30/2015	1,053,773	278,652	1,332,425	13,025	38,445	51,470
2016-2020	11,552,318	861,227	12,413,545	73,642	183,708	257,336
2021-2025	1,576,853	244,343	1,821,195	90,136	167,214	257,336
2026-2030	28,271	31,775	60,046	110,325	151,395	257,335
2031 and after			0	644,874	276,938	977,876
	<u>21,338,967</u>	<u>3,044,035</u>	<u>24,383,001</u>	<u>979,144</u>	<u>976,441</u>	<u>2,007,235</u>

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, 2010:

	Balance			Balance	Current Portion of Balance
	June 30, 2009	Increases	Decreases		
Governmental Activities:					
Installment purchases	\$ 24,009,143		\$ 2,670,176	\$ 21,338,967	\$ 2,572,249
Landfill closure costs	2,830,170	131,174		2,961,344	
Other Post Employment Benefits	160,081	281,560	45,288	396,353	
Vacation payable	612,378	416,934	441,810	587,502	
Pension benefit obligation	107,408	22,309	7,762	121,955	
Total Governmental activities	<u>\$ 27,719,180</u>	<u>\$ 851,977</u>	<u>\$ 3,165,036</u>	<u>\$ 25,406,121</u>	<u>\$ 2,572,249</u>
Business-type activities:					
Installment purchases	\$ 989,780	\$ -	\$ 10,524	\$ 979,256	\$ 11,081

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

CHEROKEE COUNTY, NC Notes to Basic Financial Statements

Transfers to/from other funds at June 30, 2010, 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.	(155,540)
From the General Fund to the Revaluation Fund to provide resources for the next property revaluation .	(75,000)
From the General Fund to the Pool and Wellness Fund to provide operating support.	(60,000)
From the School Construction fund to the General Fund	30,472
	(643,629)
	(643,629)

Interfund Receivables and Payables:

The composition of interfund balances as of June 30, 2010 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Due From</u>	<u>Due to</u>
General Fund		\$ 83,633	\$
	Water and Sewer Improvement		19,444
	Federal COP Meth Grant		6,394
	Federal Recovery Transportation		3,034
	Airport Improvement		56,761
	Total	\$ 85,633	\$ 85,633
		\$ 85,633	\$ 85,633

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, 2010. 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, 2010. In accordance with the intergovernmental agreement

between the participating governments, the County appropriated \$72,000 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 \$19,700 to the Council during the fiscal year ended June 30, 2010. The County was the sub recipient of a grant for \$325,861 from the Division of Aging of the North Carolina Department of Human Resources, which was passed through the Commission.

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

VII. Benefit Payments Issued by the State

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

	Federal	State
Temporary Assistance for Needy Families	\$ 57,797	\$ -
Medicaid	27,950,682	9,851,475
WIC	574,272	
Food Stamp Program	5,506,413	-
Payments to Elderly and Disabled	-	233,650
Adoption Assistance	160,282	32,538
Energy Assistance	273,430	-
Total	\$ 34,522,876	\$ 10,117,663

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)
12/31/2004	\$ -	\$ 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%
12/31/2009	\$ -	\$ 214,398	214,398	0.00%	\$ 1,217,682	17.61%

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
2008	15,682	0.00%
2009	19,933	23.70%
2010	22,309	34.79%

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	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
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	\$ -	<u>\$ 2,020,073</u>	<u>2,020,073</u>	0.00%	<u>\$ 9,045,677</u>	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%
2010	281,556	16.08%

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	29 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, 2010

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 15,517,863	\$
Penalties and interest		192,857	
Total	<u>15,582,749</u>	<u>15,710,720</u>	<u>127,971</u>
Local option sales taxes:			
Article 39 one percent		2,188,016	
Article 40 one - half of one percent		1,246,096	
Article 42 one - half of one percent		1,109,537	
Article 44 one - half of one percent		98,500	
Total	<u>4,808,534</u>	<u>4,642,149</u>	<u>(166,385)</u>
Other taxes and licenses:			
Deed stamp excise tax		237,388	
Car Rental Tax		4,650	
Occupancy Tax		105,524	
Solid Waste Disposal Tax		19,982	
Franchise Tax		57,953	
State and Federal Drug Tax		30,418	
Civil licenses		3,073	
Total	<u>418,999</u>	<u>458,988</u>	<u>39,989</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes-outside sources		1,266,810	
Fuel tax reimbursements		9,051	
Total	<u>1,346,745</u>	<u>1,275,861</u>	<u>(70,884)</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2010

Restricted intergovernmental:

Lottery Proceeds	\$	\$	208,170	\$
Social Services			2,526,047	
Senior Center			251,701	
Transportation			137,942	
Transportation- ROAP			149,115	
Criminal Justice Grant			72,595	
Other Grants			525,056	
US Forest Serv. Timber Receipts			237,701	
Health Dept. state revenues			884,516	
Health Dept. grants			56,693	
Tire Disposal tax grant			46,506	
Juvenile Crime Prevention			85,779	
Public School Build. Capital Fund			125,000	
Court facility fees			46,783	
ABC bottles taxes			11,132	
Total		<u>6,176,172</u>	<u>5,364,736</u>	<u>(811,436)</u>

Permits and fees:

Building permits & inspections			192,900	
Landfill user fees			1,231,320	
Presious Metal Permits			540	
Register of Deeds			212,449	
Fire inspections			5,681	
Fire arms permits			15,285	
Water & Septic permits			217,282	
Total		<u>1,714,227</u>	<u>1,875,457</u>	<u>161,230</u>

Sales and services:

Rents			51,351	
Landfill tipping fees			231,009	

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, 2010

Sales and Services			
continued:			
Health Dept. Fees	\$	\$ 540,127	\$
Transportation fees		361,033	
Sheriff & Jail fees		906,109	
Ambulance fees		1,150,858	
Other sales		174,310	
Personnel Fees		90,117	
Vehicle tax collection fees		880	
Total	<u>3,236,492</u>	<u>3,505,794</u>	<u>269,302</u>
Investment earnings	<u>37,316</u>	<u>38,038</u>	<u>722</u>
Miscellaneous:			
ABC Store distributions	-	56,129	
Insurance proceeds		57,354	
Other	-	133,186	
Total	<u>246,231</u>	<u>246,669</u>	<u>438</u>
Total revenues	<u>33,567,465</u>	<u>33,118,412</u>	<u>(449,053)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		88,528	
Other operating expenditures		68,980	
Total	<u>163,217</u>	<u>157,508</u>	<u>5,709</u>
Administration:			
Salaries and employee benefits		133,509	
Other operating expenditures		14,931	
Capital Outlay		-	
Total	<u>152,006</u>	<u>148,440</u>	<u>3,566</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2010

Expenditures, Continued:

General government, Continued:

Information Technology

Salaries and employee benefits	\$	\$	130,459	\$
Other operating expenditures			51,729	
Capital outlay			34,182	
Total			<u>230,380</u>	<u>14,010</u>

Finance:

Salaries and employee benefits			260,441	
Other operating expenditures			111,929	
Capital outlay			-	
Total			<u>378,371</u>	<u>6,001</u>

Tax Assessor:

Salaries and employee benefits			346,691	
Other operating expenditures			84,743	
Capital outlay			-	
Total			<u>463,445</u>	<u>32,011</u>

Land Records:

Salaries and employees benefits			116,343	
Operating expenditures			26,280	
Capital outlay			5,864	
Total			<u>152,176</u>	<u>3,689</u>

Tax Collector:

Salaries and employee benefits			113,463	
Operating expenditures			37,764	
Capital outlay			-	
Total			<u>167,246</u>	<u>16,019</u>

Court Facilities:

Operating expenditures			43,988	
Capital outlay				
Total			<u>50,438</u>	<u>6,450</u>

Board of Elections

Salaries and employee benefits			159,311	
Other operating expenditures			34,295	
Capital outlay			-	
Total			<u>249,409</u>	<u>55,803</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2010

Expenditures, Continued:

General government, Continued:

Register of deeds:

Salaries and employee benefits	\$		\$	147,236	\$
Other operating expenditures				211,154	
Capital outlay				-	
Total		<u>364,784</u>		<u>358,390</u>	<u>6,394</u>

Public buildings/maintenance:

Salaries and employee benefits				172,303	
Operating expenditures				165,181	
Capital outlay				-	
Total		<u>365,069</u>		<u>337,484</u>	<u>27,585</u>

Central services:

Salaries and employee benefits					
Operating expenditures				70,100	
Insurance and bonds				220,087	
Capital outlay				-	
Total		<u>306,390</u>		<u>290,187</u>	<u>16,203</u>

Special Appropriations:

Region A				19,700	
Total		<u>19,700</u>		<u>19,700</u>	<u>-</u>
Total general government		<u>3,062,631</u>		<u>2,869,191</u>	<u>193,440</u>

Public Safety:

Sheriff:

Salaries and employee benefits				1,986,373	
Other operating expenditures				508,474	
Capital outlay				157,111	
Total		<u>2,796,962</u>		<u>2,651,958</u>	<u>145,004</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2010

Expenditures, Continued:

Public safety continued:

Criminal Justice:

Salaries and employee benefits	\$		\$	26,459	\$
Other operating expenditures				27,592	
Capital outlay				-	
Total		<u>58,058</u>		<u>54,051</u>	<u>4,007</u>

Jail:

Salaries and employee benefits				1,428,672	
Other operating expenditures				791,725	
Capital outlay				25,123	
Total		<u>2,239,634</u>		<u>2,245,520</u>	<u>(5,886)</u>

911 Addressing

Salaries and employee benefits				27,167	
Other operating expenditures				7,765	
Capital outlay				-	
Total		<u>129,608</u>		<u>34,932</u>	<u>94,676</u>

Emergency communications:

Salaries and employee benefits				448,275	
Other operating expenditures				40,361	
Capital outlay				-	
Total		<u>516,276</u>		<u>488,636</u>	<u>27,640</u>

Emergency management:

Salaries and employee benefits				85,941	
Other operating expenditures				13,276	
Capital outlay				1,124	
Total		<u>143,022</u>		<u>100,341</u>	<u>42,681</u>

Ambulance service:

Salaries and employee benefits				1,861,346	
Other expenditures				398,289	
Capital outlay				13,677	
Total		<u>2,309,774</u>		<u>2,273,312</u>	<u>36,462</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2010

Expenditures, Continued:

Public safety, Continued:

Fire inspection:

Salaries and employee benefits	\$		\$	100,994	\$
Other operating expenditures				52,136	
Capital outlay				-	
Total		<u>184,259</u>		<u>153,130</u>	<u>31,129</u>

Building inspection:

Salaries and employee benefits				219,240	
Other operating expenditures				14,695	
Capital outlay				-	
Total		<u>247,564</u>		<u>233,935</u>	<u>13,629</u>

Medical examiner:

Other operating expenditures				22,800	
Total		<u>20,000</u>		<u>22,800</u>	<u>(2,800)</u>

Animal Control

Other operating expenditures				-	
Total		<u>5,000</u>		<u>-</u>	<u>5,000</u>

Gang Prevention

Other operating expenditures				20,464	
Total		<u>25,000</u>		<u>20,464</u>	<u>4,536</u>

Special appropriations:

NC Forest Service-Fire protection				45,523	
Valley River Rescue Squad				50,000	
Cherokee County Rescue Squad				50,000	
Total		<u>164,096</u>		<u>145,523</u>	<u>18,573</u>

Total public safety

		<u>8,839,253</u>		<u>8,424,602</u>	<u>409,651</u>
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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, 2010

Expenditures, Continued:

Transportation:

Airport:

Other operating expenditures	\$		\$	49,537	\$
Capital outlay				-	
Total		<u>57,450</u>		<u>49,537</u>	<u>7,913</u>

Public Transportation

Salaries and employee benefits				417,902	
Other operating expenditures				161,376	
Capital Outlay				3,393	
Total		<u>615,907</u>		<u>582,671</u>	<u>33,236</u>

Total Transportation

		<u>673,357</u>		<u>632,208</u>	<u>41,149</u>
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Economic and physical development:

Economic Development:

Salaries and employee benefits				24,695	
Other operating expenditures				3,942	
Grants				120,000	
Total		<u>509,724</u>		<u>148,637</u>	<u>361,087</u>

Cooperative Extension:

Salaries and employee benefits				131,516	
Other operating expenditures				16,033	
Capital outlay				-	
Grants				25,900	
Total		<u>180,705</u>		<u>173,449</u>	<u>7,256</u>

Soil and water:

Salaries and employee benefits				89,447	
Total		<u>90,994</u>		<u>89,447</u>	<u>1,547</u>

Tourism authorities:

Cherokee County Board of Tourism		<u>120,000</u>		<u>102,156</u>	<u>17,844</u>
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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, 2010

Expenditures, Continued:

Economic Development:

Continued:

Special appropriations:

Soil and water conservation district	\$	\$	88,151	\$
Hiwassee River Coalition			2,500	
Total			<u>90,651</u>	<u>-</u>

**Total economic and physical
development**

<u>992,074</u>	<u>604,340</u>	<u>387,734</u>
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Environmental protection:

Solid waste:

Salaries and employee benefits		736,482	
Operating expenditures		507,720	
Capital outlay		47,040	
Total environmental protection:		<u>1,291,242</u>	<u>79,528</u>

Human services:

Health:

Administration:

Salaries and employee benefits		1,468,856	
Other operating expenditures		129,114	
Capital outlay		-	
Total		<u>1,597,970</u>	<u>963,605</u>

Health programs:

Health promotion	9,248
Lab	152,756
Bio Terrorism	2,086
H1-N1	64,588
Immunization	35,239
Communicable disease	1,289
Adult health	671
spf-sig	6,154

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, 2010

Expenditures, Continued:

Human Services, Health Programs

Continued:

Maternal health	\$	\$	23,222	\$
Womens Health			1,419	
MOD Cordinator			-	
Breast and Cervical Cancer			19,192	
Breast Feeding Peer Counseling			91	
School Based Clinic			74,561	
School Nurse Initiative			100,000	
STD			1,522	
Family planning			38,317	
WIC			5,628	
Child Health			4,459	
Child Service Coordinator			91	
Health Check			375	
Smart Start			6,370	

Environmental Health:

Salaries and employee benefits			262,560	
Other operating expenditures			25,021	
Capital outlay			-	
Total Environmental Health			<u>287,581</u>	
Total Health Dept.			<u>2,561,575</u>	<u>128,746</u>

Mental Health:

Smoky Mountain Center			<u>72,000</u>	<u>72,000</u>	<u>-</u>
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Social services:

Administration:

Salaries and employee benefits			2,519,938		
Other operating expenditures			231,838		
Capital outlay			12,749		
Total			<u>2,921,439</u>	<u>2,764,525</u>	<u>156,914</u>

Social Service programs:

			<u>1,428,146</u>	<u>1,184,633</u>	<u>243,513</u>
Total Social Services			<u>4,349,585</u>	<u>3,949,158</u>	<u>400,427</u>

Senior Center:

Salaries and employee benefits			163,153		
Operating expenditures			153,096		
Capital outlay			-		
Total			<u>341,004</u>	<u>316,249</u>	<u>24,755</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2010

Expenditures, Continued:

Human Services, Health Programs

Continued:

Special appropriations:

Industrial Opportunities Inc.	\$	\$	50,000	\$
State of Franklin Health Council			14,000	
Haven Child Advocacy			117,086	
Juvenile Crime Prevention Programs			102,460	
Cherokee County Food Bank			3,400	
Total			<u>293,085</u>	<u>6,139</u>
Total Human Services			<u>7,617,249</u>	<u>1,523,672</u>

Cultural and recreational:

Library operating expenditures	<u>180,000</u>	<u>180,000</u>	<u>-</u>
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Parks and recreation:

Salaries and employee benefits		191,396	
Operating expenditures		79,007	
Capital outlay		-	
Total	<u>288,263</u>	<u>270,403</u>	<u>17,860</u>

Museum:

Salaries and employee benefits		38,009	
Total	<u>38,100</u>	<u>38,009</u>	<u>91</u>

Special appropriations:

Andrews Park	\$	4,980	\$	4,348	\$
Total cultural and recreational		<u>511,343</u>		<u>492,760</u>	<u>17,951</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2010

Expenditures, Continued:

Education:				
Public schools--current expense	\$	\$	4,833,842	\$
Public schools capital outlay:			-	
County appropriations			335,345	
Community college--current			580,752	
Community college --capital outlay			-	
Total education		<u>5,812,003</u>	<u>5,749,939</u>	<u>62,064</u>
Debt service:				
Principal retirement			2,648,527	
Interest and fees			561,567	
Total debt service		<u>3,219,742</u>	<u>3,210,094</u>	<u>9,648</u>
Total expenditures		<u>32,098,422</u>	<u>30,331,558</u>	<u>2,724,837</u>
Revenues over (under) expenditures		<u>1,469,043</u>	<u>2,786,854</u>	<u>1,317,811</u>
Other financing sources (uses):				
Use of Fund Balance		-		-
Transfer from 911 Fund		30,472	30,472	-
Loan Proceeds		-	-	-
Transfer to Airport Improvement		(223,533)	(155,540)	67,993
Transfer to Revaluation Fund		(75,000)	(75,000)	-
Transfer to Debt Service Fund		(383,562)	(383,561)	1
Transfer to Pool and Wellness Fund		-	(60,000)	(60,000)
Total other financing sources(uses)		<u>(651,623)</u>	<u>(643,629)</u>	<u>7,994</u>
Increase in Fund Balance		<u>(817,420.00)</u>		<u>817,420</u>
	\$	<u>-</u>	<u>2,143,225</u>	\$ <u>2,143,225</u>
Fund balance:				
Beginning, July 1			<u>8,678,274</u>	
Ending June 30			<u>\$ 10,821,499</u>	

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

Federal Recovery Transportation – This fund is established to account for the Grant for the purchase and maintenance of transportation vehicles.

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

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

Cherokee County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue Funds					
	Emergency Telephone System Fund	Fire District Fund	Revaluation Fund	Fed. Recovery Transportation	Federal COPS Meth Grant	Bear Paw Service District
Assets						
Cash and cash equivalents	\$ 805,131	\$ 15,847	\$ 299,042	\$ 2,353	\$ -	\$ 641
Investments	-	-	-	-	-	-
Taxes receivable (net)	-	149,927	-	-	-	11,147
Accounts Receivable	-	-	-	-	-	-
Due from other Governments	-	-	-	80,730	18,204	-
Deposits and Prepaids	-	-	-	-	-	-
Total assets	<u>\$ 805,131</u>	<u>\$ 165,774</u>	<u>\$ 299,042</u>	<u>\$ 83,083</u>	<u>\$ 18,204</u>	<u>\$ 11,788</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 4,700	\$ 15,847	\$ -	\$ 80,049	\$ 11,810	\$ 641
Due to other funds	-	-	-	3,034	6,394	-
Deferred revenue-Taxes	-	149,927	-	-	-	11,147
Unearned Revenues	-	-	-	-	-	-
Total liabilities	<u>4,700</u>	<u>165,774</u>	<u>-</u>	<u>83,083</u>	<u>18,204</u>	<u>11,788</u>
Fund balances:						
Reserved for encumbrances	-	-	-	-	-	-
Reserved by state statute	-	-	-	-	-	-
Reserved for subsequent year expenditures	-	-	-	-	-	-
Unreserved, undesignated	800,431	-	299,042	-	-	-
Total fund balances	<u>800,431</u>	<u>-</u>	<u>299,042</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 805,131</u>	<u>\$ 165,774</u>	<u>\$ 299,042</u>	<u>\$ 83,083</u>	<u>\$ 18,204</u>	<u>\$ 11,788</u>

	Capital Projects Funds					
	Total Nonmajor Special Revenue Funds	School Improvements	Water & Sewer Improvements	Airport Improvements		
	\$ 1,123,014	\$ -	\$ -	\$ 13,873	\$ 13,873	\$ 1,136,887
	-	-	-	-	0	-
	161,074	-	-	-	0	161,074
	-	-	-	-	0	-
	98,934	-	61,804	96,520	158,324	257,258
	-	-	-	-	0	-
	<u>\$ 1,383,022</u>	<u>\$ -</u>	<u>\$ 61,804</u>	<u>\$ 110,393</u>	<u>\$ 172,197</u>	<u>\$ 1,555,219</u>
	\$ 113,047	\$ -	\$ 42,360	\$ 12,498	\$ 54,858	\$ 167,905
	9,428	-	19,444	56,761	76,205	85,633
	161,074	-	-	-	-	161,074
	-	-	-	-	-	-
	<u>283,549</u>	<u>-</u>	<u>61,804</u>	<u>69,259</u>	<u>131,063</u>	<u>414,612</u>
	-	-	-	-	-	-
	-	-	-	96,521	96,521	96,521
	-	-	-	-	-	-
	1,099,473	-	-	(55,387)	(55,387)	1,044,086
	<u>1,099,473</u>	<u>-</u>	<u>-</u>	<u>41,134</u>	<u>41,134</u>	<u>1,140,607</u>
	<u>\$ 1,383,022</u>	<u>\$ -</u>	<u>\$ 61,804</u>	<u>\$ 110,393</u>	<u>\$ 172,197</u>	<u>\$ 1,555,219</u>

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2010

	Emergency Telephone System Fund	Fire District Fund	Revaluation Fund	Fed. Recovery Transportation	Fed. COPS Meth Grant
Revenues:					
Ad valorem taxes	\$ -	\$ 1,283,947	\$ -	\$ -	\$ -
Other taxes and licenses	-	-	-	-	-
Restricted intergovernmental	398,620	-	-	80,730	168,257
Restricted other	-	-	-	-	-
Investment earnings	2,519	-	811	-	-
Total revenues	401,139	1,283,947	811	80,730	168,257
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	139,885	1,283,947	-	-	168,257
Transportation	-	-	-	80,730	-
Education	-	-	-	-	-
Economic Development	-	-	-	-	-
Total expenditures	139,885	1,283,947	-	80,730	168,257
Revenues over (under) expenditures	261,254	-	811	-	-
Other financing sources:					
Installment financings	-	-	-	-	-
Operating transfers in:					
General Fund	-	-	75,000	-	-
Operating transfers out:					
General Fund	-	-	-	-	-
Increase (Decrease) in Fund Balance	261,254	-	75,811	-	-
Fund balances:					
Beginning of year, July 1	539,177	-	223,231	-	-
End of year, June 30	<u>\$ 800,431</u>	<u>\$ -</u>	<u>\$ 299,042</u>	<u>\$ -</u>	<u>\$ -</u>

Capital Projects Funds

Bear Paw Service District	Total Nonmajor Governmental Funds	School Improvements	Water & Sewer Improvements	Airport Improvements	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
\$ 288,341	\$ 1,572,288	\$ -	\$ -	\$ -	-	\$ 1,572,288
-	647,607	-	82,203	1,581,810	1,664,013	2,311,620
-	3,330	-	-	-	-	3,330
<u>288,341</u>	<u>2,223,225</u>	<u>-</u>	<u>82,203</u>	<u>1,581,810</u>	<u>1,664,013</u>	<u>3,887,238</u>
288,341	288,341	-	-	-	-	288,341
-	1,592,089	-	-	-	-	1,592,089
-	80,730	-	-	1,791,403	1,791,403	1,872,133
-	-	60,501	-	-	60,501	60,501
-	-	-	82,203	-	82,203	82,203
<u>288,341</u>	<u>1,961,160</u>	<u>60,501</u>	<u>82,203</u>	<u>1,791,403</u>	<u>1,934,107</u>	<u>3,895,267</u>
-	262,065	(60,501)	-	(209,593)	(270,094)	(8,029)
-	-	-	-	-	-	-
-	75,000	-	-	155,540	155,540	230,540
-	-	(30,472)	-	-	(30,472)	(30,472)
-	75,000	(30,472)	-	155,540	125,068	200,068
-	337,065	(90,973)	-	(54,053)	(145,026)	192,039
-	-	-	-	-	-	-
-	762,408	90,973	-	95,187	186,160	948,568
<u>\$ -</u>	<u>\$ 1,099,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,134</u>	<u>41,134</u>	<u>\$ 1,140,607</u>

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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Restricted Intergovernmental	\$ 387,740	\$ 387,740	\$ 398,620	\$ -
Investment Earnings	2,600	2,600	2,519	-
	<u>390,340</u>	<u>390,340</u>	<u>401,139</u>	<u>10,799</u>
Expenditures				
Public Safety:				
Operating Expenditures			139,885	
Capital Outlay			-	
Public Safety	79,300	79,300	139,885	(60,585)
	<u>311,040</u>	<u>311,040</u>	<u>261,254</u>	<u>(49,786)</u>
Revenues over (under) expenditures			261,254	(49,786)
Other financing Sources (Uses)	-	-	-	-
Total Other financing sources (Uses)		-	-	-
Increase in fund balance	(311,040)	(311,040)	-	311,040
Net Change in Fund Balance	\$ -	\$ -	261,254	\$ 261,254
Fund balances:				
Beginning of year, July 1			539,177	
End of year, June 30			<u>\$ 800,431</u>	

Cherokee County, North Carolina
Fire District Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Ad valorem taxes:	\$ 1,196,519	\$ 1,286,519	\$ 1,283,947	\$ (2,572)
Expenditures:				
Public safety:				
Bellview Fire District			90,054	
Brasstown Fire District			13,453	
Culberson Fire District			52,283	
Grape Creek Fire District			23,090	
Hanging Dog Fire District			39,762	
Hiwassee Fire District			152,413	
Wolf Creek Fire District			62,671	
Martins Creek Fire District			76,686	
Peachtree Fire District			157,586	
Murphy Rural Fire District			196,441	
Ranger Fire District			106,831	
Unaka Fire District			30,268	
Valleytown Fire District			282,409	
Total expenditures	1,196,519	1,286,519	1,283,947	2,572
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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Investment earnings	\$ 1,200	\$ 1,200	\$ 811	\$ (389)
Expenditures:				
Current:				
General government:				
Salaries and Employee benefits			-	
Other Operating Expenditures			-	
Capital Outlay			-	
Total	-	-	-	-
Revenues over (under) expenditures	1,200	1,200	811	(389)
Other financing Sources (uses)				
Contribution from General Fund	75,000	75,000	75,000	-
Total Other financing Sources (uses)	75,000	75,000	75,000	-
Increase in Fund Balance	(76,200)	(76,200)		76,200
Net Change in Fund Balance	-	-	75,811	75,811
Fund balances:				
Beginning of year, July 1			223,231	
End of year, June 30			<u>\$ 299,042</u>	

Cherokee County, North Carolina
Debt Service Fund
Statement of Revenues, Expenditures, and
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Investment Earnings	\$ 74,000	\$ 86,721	\$ 12,721
Other financing sources (uses):			
Operating transfers in:			
General Fund - Debt Service	383,561	383,561	-
Total other financing sources (uses)	383,561	383,561	-
Total Revenues and other Financing sources	457,561	470,282	12,721
 Increase in Fund Balance	(457,561)		457,561
Net Change in Fund Balance	\$ -	\$ 470,282	\$ 470,282
 Fund balance:			
Beginning of year, July 1		2,082,845	
End of Year, June 30		\$ 2,553,127	

Cherokee County, North Carolina
Fed. Recovery Transportation Grant
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2010

	Project Author- ization	Actual			Variance Favorable (Unfavorable)
		Prior Year	Current Year	Total to Date	
Revenues					
Grants	\$ 208,900	\$ -	\$ 83,083	\$ 83,083	\$ (125,817)
	<u>\$ 208,900</u>	<u>\$ -</u>	<u>\$ 83,083</u>	<u>\$ 83,083</u>	<u>\$ (125,817)</u>
Expenditures					
Salaries and Benefits	75,000			-	75,000
Maintenance	50,000			-	50,000
Capital outlay	83,900		83,083	83,083	817
	<u>208,900</u>	<u>-</u>	<u>83,083</u>	<u>83,083</u>	<u>125,817</u>
Revenues (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:					
Beginning of year, July 1			-		
End of Year, June 30			<u>\$ -</u>		

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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Ad valorem taxes:	\$ 253,253	\$ 291,253	\$ 288,341	\$ (2,912)
Expenditures:				
Bear Paw Service District	253,253	291,253	288,341	2,912
Increase (Decrease) in				
Fund Balance	\$ -	\$ -	-	\$ -
Fund balances:				
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, 2010

	Project Author- ization	Actual			Variance Favorable (Unfavorable)
		Prior Year	Current Year	Total to Date	
Revenues					
Grants	\$ 491,000	\$ 228,375	\$ 168,256	\$ 396,631	\$ (94,369)
	<u>\$ 491,000</u>	<u>\$ 228,375</u>	<u>\$ 168,256</u>	<u>\$ 396,631</u>	<u>\$ (94,369)</u>
Expenditures					
Cherokee County	71,000	37,841	13,180	51,021	19,979
Macon county	70,000	31,384	28,820	60,204	9,796
Swain County	70,000	55,872	-	55,872	14,128
Haywood County	70,000	-	71,307	71,307	(1,307)
Graham County	70,000	41,187	1,735	42,922	27,078
Clay County	70,000	29,200	21,932	51,132	18,868
Jackson County	70,000	32,891	31,282	64,173	5,827
	<u>491,000</u>	<u>228,375</u>	<u>168,256</u>	<u>396,631</u>	<u>94,369</u>
Revenues (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:					
Beginning of year, July 1			-		
End of Year, June 30			<u>\$ -</u>		

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.

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

Water and Sewer Improvement Fund – This fund is used to account for the construction of improvements to the water and sewer systems in the county. Once completed the improvements are transferred to local municipalities.

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

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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, 2010

	Project Author- ization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental:					
Interest	2,619	2,619	-	2,619	-
NC lottery Proceeds	\$ 164,000	\$ 164,000	\$ -	\$ 164,000	\$ -
Total revenues	<u>166,619</u>	<u>166,619</u>	<u>-</u>	<u>166,619</u>	<u>-</u>
Expenditures					
Capital outlay:					
Murphy High School Project	1,356,104	1,307,453	48,651	1,356,104	-
Ranger School Addition	<u>1,951,398</u>	<u>1,939,548</u>	<u>11,850</u>	<u>1,951,398</u>	<u>-</u>
Total expenditures	<u>3,307,502</u>	<u>3,247,001</u>	<u>60,501</u>	<u>3,307,502</u>	<u>-</u>
Revenues over (under) expenditures	<u>(3,140,883)</u>	<u>(3,080,382)</u>	<u>(60,501)</u>	<u>(3,140,883)</u>	<u>-</u>
Other financing sources & Uses:					
QZAB Financing	1,371,355	1,371,355	-	1,371,355	-
Other installment Financing	1,800,000	1,800,000	0	1,800,000	-
Transfer to General Fund	<u>(30,472)</u>	<u>-</u>	<u>(30,472)</u>	<u>(30,472)</u>	<u>-</u>
	<u>3,140,883</u>	<u>3,171,355</u>	<u>(30,472)</u>	<u>3,140,883</u>	<u>-</u>
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>\$ 90,973</u>	<u>\$ (90,973)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			<u>90,973</u>		
End of year, June 30			<u>\$ -</u>		

Cherokee County, North Carolina
Sewer and Water
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2010

	Project Author- ization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental:					
Interest	-	-	-	-	-
Grants	\$ 1,600,000	\$ -	\$ 82,203	\$ 82,203	\$ (1,517,797)
Total revenues	<u>1,600,000</u>	<u>0</u>	<u>82,203</u>	<u>82,203</u>	<u>(1,517,797)</u>
Expenditures					
Capital outlay:					
Admininstration	81,000	-	20,398	20,398	60,602
Engineering	91,200	-	61,805	61,805	29,395
Construction	1,357,800	-	-	-	1,357,800
Inspection	70,000	-	-	-	70,000
Total expenditures	<u>1,600,000</u>	<u>-</u>	<u>82,203</u>	<u>82,203</u>	<u>1,517,797</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in					
Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</u>		

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, 2010

	Project Author- ization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues					
Restricted intergovernmental:					
Grant-36237.41.6.2	\$ 850,000	\$ 850,000	\$	\$ 850,000	\$ -
Grant-36244.55.3.1	174,843	174,844		174,844	(1)
Grant-36237.41.8.1	150,000	2,790	69,762	72,552	77,448
Grant-36237.41.9.2	1,574,500	613,545	843,638	1,457,183	117,317
Grant-36237.41.9.1	150,000		150,000	150,000	-
Grant-36237.41.10.1	150,000	-	57,391	57,391	92,609
Grant-36237.41.10.2	410,400		389,101	389,101	21,299
Grant-36237.41.10.3	958,200		71,918	71,918	886,282
Total revenues	4,417,943	1,641,179	1,581,810	3,222,989	(1,194,954)
Expenditures					
Capital outlay:					
Land Acquisition 41.6.2	944,444	944,444		944,444	-
Pavement Rehabilitation 55.3.1	194,271	194,270		194,270	1
T Hanger Taxi lanes 41.8.1	166,666	3,100	77,513	80,613	86,053
Taxi ways extension Phase II 41.9.1	166,667	-	166,666	166,666	1
Taxi ways & Parking Phase I 41.9.2	1,737,833	691,608	996,369	1,687,977	49,856
Taxi ways extension Phase I 41.10.1	166,667	-	63,768	63,768	102,899
Land acquisiton 41.10.2	456,000	25,901	407,178	433,079	22,921
Runway Approach I 41.10.3	1,064,667	-	79,909	79,909	984,758
Other Projects		-		-	-
Total expenditures	4,897,215	1,859,323	1,791,403	3,650,726	1,246,489
Revenues over (under) expenditures	(479,272)	(218,144)	(209,593)	(427,737)	51,535
Other financing sources:					
Operating transfers from General Fund	479,272	313,331	155,540	468,871	(10,401)
Increase (Decrease) in					
Fund Balance	\$ 0	\$ 95,187	\$ (54,053)	\$ 41,134	\$ 41,134
Fund balances:					
Beginning of year, July 1			95,187		
End of year, June 30			\$ 41,134		

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, 2010**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Charges for Services				
Membership & Fees	\$ 402,420	\$ 426,220	\$ 408,397	
Total operating revenues	402,420	426,220	408,397	(17,823)
Nonoperating Revenues:				
Contributions	-	935	1,035	
Interest earnings			6	
Total Nonoperating Revenues	-	935	1,041	106
Total revenues	402,420	427,155	409,438	(17,717)
Other financing Sources:				
Transfer from other funds:	-	60,000	60,000	
Total Revenues and other Financing sources	402,420	487,155	469,438	(17,717)
Expenditures:				
Operations:				
Salaries & Employee Benefits			235,196	
Supplies			25,436	
Travel			2,017	
Utilities			94,177	
Maintenance			30,174	
Other			15,253	
Advertising			3,899	
Capital Outlay			8,876	
Total operating expenses	361,685	446,420	415,028	31,392
Debt Service:				
Interest	40,735	40,735	40,581	
Principal			10,750	
Total	40,735	40,735	51,331	(10,596)
Total Expenditures:	402,420	487,155	466,359	20,796
Revenues and other financing sources over (under) Expenditures	-	-	3,079	3,079
Reconciliation from Budgetary Basis (modified accrual) to Full accrual:				
Debt Principal			10,750	
Depreciation			(101,114)	
assets Capitalized			7,798	
Change in net assets			(79,487)	
Total net assets, beginning			2,235,516	
Total net assets, ending			\$2,156,029	

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 County.

Agency Funds

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

Deed of Trust Fee Fund – This fund accounts for five dollars of each fee collected by the Register of Deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

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, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Social Services				
Assets:				
Cash and cash equivalents	\$ 41,556	\$ 520,347	\$ 510,256	\$ 51,647
Liabilities:				
Miscellaneous liabilities	\$ 41,556	\$ 520,347	\$ 510,256	\$ 51,647
Deed of Trust				
Assets:				
Cash and cash equivalents	\$ -	\$ 4,410	\$ 3,860	\$ 550
Liabilities:				
Intergovernmental Payable- State of NC	\$ -	\$ 4,410	\$ 3,860	\$ 550
Sheriff's Fund				
Assets:				
Cash and cash equivalents	\$ 39,514	\$ 117,252	\$ 110,079	\$ 46,687
Liabilities:				
Miscellaneous liabilities	\$ 39,514	\$ 117,252	\$ 110,079	\$ 46,687
Fines and Forfeitures				
Assets:				
Cash and cash equivalents	\$ -	\$ 169,457	\$ 169,457	\$ -
Liabilities:				
Intergovernmental payable- Cherokee Co BD of Ed.	\$ -	\$ 169,457	\$ 169,457	\$ -
Motor Vehicle Tax				
Assets:				
Cash and cash equivalents	\$ 5,840	\$ 67,245	\$ 68,297	\$ 4,788
Liabilities:				
Intergovernmental payable	\$ 4,806	\$ 57,550	\$ 58,278	\$ 4,078
Intergovernmental payable- State of NC	1,034	9,695	10,019	710
Total	\$ 5,840	\$ 67,245	\$ 68,297	\$ 4,788
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 86,910	\$ 878,711	\$ 861,949	\$ 103,672
Liabilities:				
Miscellaneous liabilities	\$ 81,070	\$ 637,599	\$ 620,335	\$ 98,334
Intergovernmental payable	5,840	241,112	241,614	5,338
Total liabilities	\$ 86,910	\$ 878,711	\$ 861,949	\$ 103,672

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, 2010

Fiscal Year	Uncollected Balance June 30, 2009	Additions	Collections And Credits	Uncollected Balance June 30, 2010
2009 - 2010	\$ -	\$ 15,734,808	\$ 14,686,717	\$ 1,048,091
2008 - 2009	977,956		677,869	300,087
2007 - 2008	251,979		121,908	130,071
2006 - 2007	109,636		32,899	76,737
2005 - 2006	65,168		9,716	55,452
2004 - 2005	50,239		5,639	44,600
2003 - 2004	45,602		3,068	42,534
2002 - 2003	45,405		3,141	42,264
2001 - 2002	37,995		1,844	36,151
2000 - 2001	39,039		2,600	36,439
1999 - 2000	6,196		6,196	0
	<u>\$ 1,629,215</u>	<u>\$ 15,734,808</u>	<u>\$ 15,551,597</u>	<u>1,812,426</u>

Uncollected Taxes at J Less: allowance for uncollectible accounts:

General Fund

(138,916)

Ad valorem taxes receivable - net:

General Fund

\$ 1,673,510

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 15,710,720.24

Reconciling items:

Interest collected

(193,104.69)

Prior year Tax releases

27,738

Taxes written off

6,244

Total reconciling items

(159,123)

Total collections and credits

\$ 15,551,597

Cherokee County, North Carolina
 Analysis of Current Tax Levy
 County - wide Levy
 For the Fiscal Year Ended June 30, 2010

	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	\$ 4,030,728,312	\$ 0.385	\$ 15,518,304	\$ 14,771,892	\$ 746,412
Penalties	-		11,233	11,233	0
Total	<u>4,030,728,312</u>		<u>15,529,537</u>	<u>14,783,125</u>	<u>746,412</u>
Discoveries:					
Current year taxes	81,095,584	0.385	312,218	312,218	-
Abatements					
Penalties			(1,623)	(1,623)	
Taxes	(27,356,883)	0.385	(105,324)	(92,004)	(13,320)
Total property valuation	<u>\$ 4,084,467,013</u>				
Net levy			15,734,808	15,001,716	733,092
Uncollected Taxes at June 30, 2010			<u>1,048,091</u>	<u>922,071</u>	<u>126,020</u>
Current year's taxes collected			<u>\$ 14,686,717</u>	<u>\$ 14,079,645</u>	<u>\$ 607,072</u>
Current levy collection percentage			<u>93.34%</u>	<u>93.85%</u>	<u>82.81%</u>

Cherokee County, North Carolina
Schedule of Transfers
For the Fiscal Year Ended June 30, 2010

Operating Transfers From/To Other Funds	Transfers	
	From	To
General Fund:		
Airport Improvement Fund		155,540
Debt Service Fund		383,561
Revaluation Fund		75,000
School Improvement Fund	30,472	
Pool and Wellness Center Proprietary Fund		60,000
Capital Projects Fund:		
Airport Improvement Fund		
General	155,540	
Debt Service Fund		
General	383,561	
Revaluation Fund		
General	75,000	
School Improvement Fund		
General		30,472
Pool and Wellness Center Proprietary Fund		
General	60,000	
	\$ 704,573	\$ 704,573

Cherokee County, North Carolina
Schedule of Governmental Fund Balances

	Fiscal Year					
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund						
Reserved	\$ 3,114,074	\$ 3,163,115	\$ 4,310,740	\$ 3,758,638	\$ 2,803,722	\$ 3,566,145
Unreserved	7,707,425	5,515,159	4,348,021	5,714,784	4,747,266	4,649,803
Total General Fund	<u>\$ 10,821,499</u>	<u>\$ 8,678,274</u>	<u>\$ 8,658,761</u>	<u>\$ 9,473,422</u>	<u>\$ 7,550,988</u>	<u>\$ 8,215,948</u>
All Other Funds						
Special Revenue Funds	\$ 1,099,473	\$ 765,288	\$ 394,246	\$ 420,355	\$ 270,085	\$ 267,407
Capital Project Funds	41,134	183,280	(47,019)	5,892,309	8,696,950	802,698
Debt service Funds	2,553,127	2,082,845	1,627,164	1,189,314	771,610	364,185
Total All other Government Funds	<u>\$ 3,693,734</u>	<u>\$ 3,031,413</u>	<u>\$ 1,974,391</u>	<u>\$ 7,501,978</u>	<u>\$ 9,738,645</u>	<u>\$ 1,434,290</u>
Total All Governmental Fund Balances	<u><u>\$ 14,515,233</u></u>	<u><u>\$ 11,709,687</u></u>	<u><u>\$ 10,633,152</u></u>	<u><u>\$ 16,975,400</u></u>	<u><u>\$ 17,289,633</u></u>	<u><u>\$ 9,650,238</u></u>

Cherokee County, North Carolina
Schedule of Governmental Long Term Debt

	Fiscal Year					
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Long term Debt						
School Installment Purchases	\$ 12,582,964	\$ 13,719,984	\$ 11,635,734	\$ 12,630,362	\$ 13,608,096	\$ 14,149,271
Other installment Purchases	\$ 9,735,153	\$ 10,289,159	\$ 10,754,805	\$ 12,502,185	\$ 11,553,017	\$ 4,914,425
Total installment Purchases	<u>22,318,117</u>	<u>24,009,143</u>	<u>22,390,539</u>	<u>25,132,547</u>	<u>25,161,113</u>	<u>19,063,696</u>
Capital Leases				26,852	79,015	129,187
Landfill Closure Cost	2,961,344	2,830,170	2,700,185	2,492,203	2,285,563	2,119,385
Vacation Payable	587,502	611,925	541,284	491,051	415,033	396,885
Pension Benefit Obligation	121,955	107,408	92,003	76,321	62,651	49,909
Other Post employment obligations	\$ 236,272	\$ 160,081				
Total Long term Debt.	<u>26,225,190</u>	<u>27,718,727</u>	<u>25,724,011</u>	<u>28,218,974</u>	<u>28,003,375</u>	<u>21,759,062</u>
Less Debt service Funds	<u>\$ 2,553,127</u>	<u>\$ 2,082,845</u>	<u>\$ 1,627,164</u>	<u>\$ 1,189,314</u>	<u>\$ 771,610</u>	<u>\$ 364,185</u>
Net long term Obligations	<u>\$ 23,672,063</u>	<u>\$ 25,635,882</u>	<u>\$ 24,096,847</u>	<u>\$ 27,029,660</u>	<u>\$ 27,231,765</u>	<u>\$ 21,394,877</u>
Annual Debt Service	<u>\$ 3,467,043</u>	<u>\$ 3,467,043</u>	<u>\$ 3,786,576</u>	<u>\$ 3,961,546</u>	<u>\$ 2,812,776</u>	<u>\$ 2,879,451</u>
Annual Debt Service as a % General fund Expenditures and transfers	<u>11.2%</u>	<u>10.0%</u>	<u>11.5%</u>	<u>12.8%</u>	<u>9.2%</u>	<u>11.0%</u>