

Cherokee County, North Carolina

Financial Statements

June 30, 2011

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

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Cherokee County, North Carolina

Officials

June 30, 2011

COMMISSIONERS

David Wood - Chairman

Lorraine Meltz - Vice-Chairman

Steve Jordan - Member

SHERIFF

R. Keith Lovin

REGISTER OF DEEDS

Daphne Dockery

CLERK OF COURT

Roger Gibson

APPOINTED OFFICIALS

Randy Wiggins - County Manager

Candy M. Roberts, CPA - Finance Officer

Will Roberts - Tax Administrator

Donna Crawford - Director of Social Services

Jim Higgins - Health Director

R. Scott Lindsay - County Attorney

Cherokee County, North Carolina

Table of Contents

June 30, 2011

<u>Exhibit</u>		<u>Page</u>
	Financial Section	5
	Independent Auditors' Report	6 - 7
	Management's Discussion and Analysis	8 - 16
	Basic Financial Statements:	17
	Government-Wide Financial Statements:	
1	Statement of Net Assets	18
2	Statement of Activities	19 - 20
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	21 - 22
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental	23
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
6	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	25
7	Statement of Fund Net Assets - Proprietary Fund	26
8	Statement of Revenues, Expenditures, and Changes in Fund net assets - Proprietary	27
9	Statement of Cash Flows - Proprietary Fund	28
10	Statement of Fiduciary Net Assets	29
	Notes of the Financial Statements	30 - 55
	Required Supplemental Financial Data:	56
	Law Enforcement Officers' Special Separation Allowance – Schedule of Funding Progress	57
	Law Enforcement Officers' Special Separation Allowance – Schedule of Employer Contributions	57
	Other Postemployment Benefits – Schedule of Funding Progress	58
	Other Postemployment Benefits – Schedule of Employer Contributions	58
	Combining and Individual Fund Statements and Schedules:	59
	General Fund and Revaluation Fund:	60
	Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund - Budget and Actual	61 - 70
	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Revaluation Fund - Budget and Actual	71

Cherokee County, North Carolina

Table of Contents

June 30, 2011

Major Governmental Funds:	72
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Debt Service Fund - Budget and Actual	73
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Courthouse Project Fund - Budget and Actual	74
Non-major Governmental Funds:	75
Combining Balance Sheet - Nonmajor Governmental Funds	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	77
Combining Balance Sheet - Nonmajor Governmental Funds - Special Revenue Funds	78 - 79
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Special Revenue Funds	80 - 81
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	
Emergency Telephone System Fund	82
Fire District Fund	83
Federal Recovery Transportation Grant	84
Sheriff's Federal Methamphetamine Grant	85
Bear Paw Service District	86
Scattered Sites Housing Project	87
Combining Balance Sheet - Nonmajor Governmental Funds - Capital Project Funds	88
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Capital Project Funds	89
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	
School Improvement Project	90
Sewer and Water	91
Capital Reserve - Cornerstone Building	92
Airport Improvement Project	93
Enterprise Funds:	94
Statement of Revenues, Expenditures - Budget and Actual (non-GAAP)	95
Trust and Agency Funds:	96
Combining Statement of Fiduciary Assets and Liabilities	97

Cherokee County, North Carolina

Table of Contents

June 30, 2011

Other Schedules:	98
Schedule of Ad Valorem Taxes Receivable	99
Schedule of Current Tax Levy- County Wide Levy	100
Schedule of Transfers	101
Schedule of Long Term Debt	102
Compliance Section:	103
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	104 - 105
Report On Compliance - Major Federal Program With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act	106 - 107
Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act	108 - 109
Schedule of Findings and Questioned Costs	110 - 111
Corrective Action Plan	112
Summary Schedule of Prior Audit Findings	113
Schedule of Expenditures of Federal and State Awards	114 - 117

FINANCIAL SECTION

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

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Independent Auditors' Report

Board of Commissioners
Cherokee County
Murphy, 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 the Cherokee County, North Carolina, as of and for the year ended June 30, 2011, 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 basic 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, 2011, 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 April 11, 2012, 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, and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions and Other Postemployment Benefits on pages 8 through 16 and 57 through 58, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Cherokee County, North Carolina's basic financial statements. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the statistical tables, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied by us in the audit of basic financial statements, and accordingly, we express no opinion or provide any assurance on them.

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

TURNER, ENNIS & HATCHETT, CPA's, P.A.

April 11, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cherokee County, North Carolina
Management's Discussion and Analysis

June 30, 2011

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, 2011. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follows this narrative.

Financial Highlights

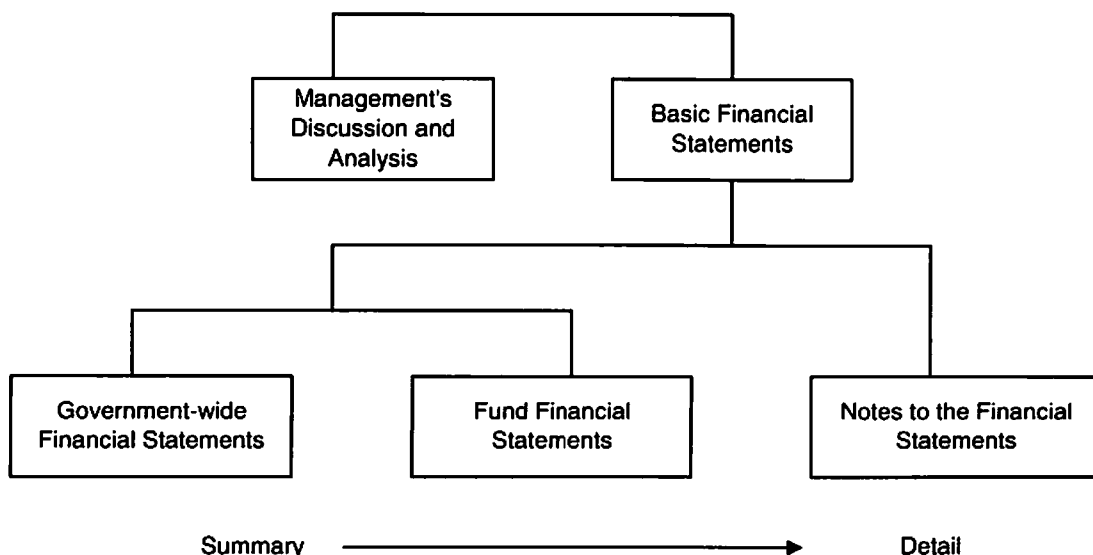
- The assets of Cherokee County exceeded its liabilities at the close of the fiscal year by \$26,500,176 (net assets).
- The government's total net assets increased by \$3,316,952, primarily due to increased net assets in the General Fund.
- As of the close of the current fiscal year, Cherokee County's governmental funds reported combined ending fund balances of \$22,436,558, an increase of \$7,921,324 in comparison with the prior year. Approximately 68.27 percent of this total amount, or \$15,317,225, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,169,588, or 22 percent of total general fund expenditures for the fiscal year.
- Cherokee County's debt increased by \$10,841,666 (28 percent) during the current fiscal year. The key factors in this increase are the 8.1 million loan proceeds for the additions and renovations to the courthouse, the 1.4 million in loan proceeds for the acquisition of the Cornerstone building, and the 1.2 million for the Andrews High School renovations.

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

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

Cherokee County's government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. 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 financial statements. This fund is used to account for the operation of the fitness and recreation center. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Fiduciary Funds - Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Cherokee County, North Carolina has four fiduciary funds, of which two are trust funds and two are 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 30 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 obligations to provide pension benefits to its employees. Supplementary information can be found beginning on page 56 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 \$26,500,176 as of June 30, 2011. The County's net assets increased by \$3,316,952 for the fiscal year ended June 30, 2011. One of the largest portions \$23,400,534 (88.30%) 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. An additional portion of Cherokee County's net assets \$13,682,061 (51.63%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$10,582,419) is unrestricted. Unrestricted net assets are negative primarily because under North Carolina law, the County is responsible for providing capital funding for the school system. The County has chosen to meet its legal obligation to provide the school system capital funding by using debt financings. The assets, funded by the County, however, are titled to and utilized by, the school system. Since the County, as the issuing government, acquires no assets, the County has incurred a liability without a corresponding increase in assets.

Cherokee County, North Carolina's Net Assets
Figure 2

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and other assets	\$27,744,322	\$19,881,498	\$ 46,888	\$ 54,244	\$ 27,791,210	\$ 19,935,742
Internal balances	108,482	-	(108,482)	-	-	-
Capital assets	34,194,287	29,727,994	3,079,737	3,180,277	37,274,024	32,908,271
Total assets	62,047,091	49,609,492	3,018,143	3,234,521	65,065,234	52,844,013
Liabilities						
outstanding	33,769,740	25,049,243	970,994	979,138	34,740,734	26,028,381
Other liabilities	3,730,692	4,980,364	93,632	119,687	3,824,324	5,100,051
Total liabilities	37,500,432	30,029,607	1,064,626	1,098,825	38,565,058	31,128,432
Net assets						
Invested in capital assets, net of related debt	21,288,855	16,569,457	2,111,679	2,283,823	23,400,534	18,853,280
Restricted	13,682,061	2,553,127	-	-	13,682,061	2,553,127
Unrestricted	(10,424,257)	2,121,064	(158,162)	(48,307)	(10,582,419)	2,072,757
Total net assets	\$24,546,659	\$21,243,648	\$ 1,953,517	\$ 2,235,516	\$ 26,500,176	\$ 23,479,164

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 93.79%.
- Increased charges for services revenue due to growth in the use of County facilities.

Cherokee County, North Carolina's Changes in Net Assets

Figure 3

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 4,524,886	\$ 4,097,720	\$ 368,035	\$ 408,397	\$ 4,892,921	\$ 4,506,117
Operating grants and contributions	7,567,159	7,016,782	-	-	7,567,159	7,016,782
Capital grants and contributions	1,667,269	1,894,710	-	1,035	1,667,269	1,895,745
General revenues:						
Property taxes	17,251,446	17,587,091	-	-	17,251,446	17,587,091
Other taxes	5,136,653	5,050,737	-	-	5,136,653	5,050,737
Grants and contributions not restricted to specific programs	1,223,117	1,275,861	-	-	1,223,117	1,275,861
Other	502,076	473,552	-	6	502,076	473,558
Total revenues	<u>37,872,606</u>	<u>37,396,453</u>	<u>368,035</u>	<u>409,438</u>	<u>38,240,641</u>	<u>37,805,891</u>
Expenses						
General government	3,602,105	3,346,214	-	-	3,602,105	3,346,214
Public safety	10,586,718	10,665,482	-	-	10,586,718	10,665,482
Transportation	1,379,679	822,433	-	-	1,379,679	822,433
Economic and physical development	1,590,526	718,116	-	-	1,590,526	718,116
Environmental protection	1,599,545	1,680,018	-	-	1,599,545	1,680,018
Human services	7,596,679	7,195,700	-	-	7,596,679	7,195,700
Cultural recreation	554,068	519,417	570,431	548,935	1,124,499	1,068,352
Education	6,817,238	5,810,440	-	-	6,817,238	5,810,440
Interest on long-term debt	626,700	533,239	-	-	626,700	533,239
Total expenses	<u>34,353,258</u>	<u>31,291,059</u>	<u>570,431</u>	<u>548,935</u>	<u>34,923,689</u>	<u>31,839,994</u>
Increase (decrease) in net assets before transfers	3,519,348	6,105,394	(202,396)	(139,497)	3,316,952	5,965,897
Transfers	-	(60,000)	-	60,000	-	-
Increase in net assets	3,519,348	6,045,394	(202,396)	(79,497)	3,316,952	5,965,897
Net assets, beginning as restated	21,027,311	15,198,254	2,155,913	2,235,516	23,183,224	17,433,770
Net assets, ending	<u>\$24,546,659</u>	<u>\$21,243,648</u>	<u>\$ 1,953,517</u>	<u>\$ 2,155,913</u>	<u>\$ 26,500,176</u>	<u>\$ 23,183,224</u>

Governmental activities. Governmental activities increased the County's net assets by \$3,519,348 thereby accounting for 106.10% of the total growth in the net assets of Cherokee County. Key elements of this increase are as follows:

- Slight increase in fees collected for services rendered.
- Solicitation of additional operating grants and contributions.
- Increase in local option sales tax collection.

Business-type Activities. Business-type activities decreased the County's net assets by (\$202,396). 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, North Carolina 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, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Cherokee County. At the end of the current fiscal year, Cherokee County's fund balance available in the General Fund was \$8,854,588 while total fund balance reached \$12,720,521. The County currently has an available fund balance of 27.38% of general fund expenditures, while total fund balance represents 39.34% of the same amount.

At June 30, 2011, the governmental funds of Cherokee County reported a combined fund balance of \$22,436,558, a 55.72% increase over 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.

Proprietary Funds. Cherokee County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Pool and Wellness Center at the end of the fiscal year amounted to (\$158,162). The total decrease in net assets for the Pool and Wellness Center was (\$202,396). Other factors concerning the finances of these funds have already been addressed in the discussion of Cherokee County's business-type activities.

Capital Asset and Debt Administration

Capital Assets. Cherokee County, North Carolina's capital assets for its governmental and business-type activities as of June 30, 2011, totals \$37,274,024 (net of accumulated depreciation). These assets include land, construction in progress, buildings, equipment, and vehicles.

Major capital asset transactions during the year include the following:

Governmental Activities.

- Acquisition of the Cornerstone Building
- Addition of construction in progress for the renovations to the County Courthouse
- Purchased computers and software
- Disposed of old vehicles and purchased new replacements.
- Purchased new 911 phone system.

Business-Type Activities.

- There were no significant additions, demolitions or disposals to capital assets during the fiscal year.

**Cherokee County, North Carolina's Capital Assets
(Net of Depreciation)**

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Capital Assets						
Land	\$ 6,700,183	\$ 6,044,983	\$ -	\$ -	\$ 6,700,183	\$ 6,044,983
Construction in progress	3,708,718	80,276	-	-	3,708,718	80,276
Buildings	13,799,993	13,347,913	2,798,580	2,899,130	16,598,573	16,247,043
Other improvements	7,604,742	8,048,450	198,784	198,784	7,803,526	8,247,234
Equipment	714,244	769,495	81,421	81,421	795,665	850,916
Software	282,266	181,753	-	-	282,266	181,753
Computers and other electronic equipment	468,180	225,843	952	952	469,132	226,795
Vehicles and motorized equipment	915,961	1,155,756	-	-	915,961	1,155,756
Total capital assets	\$34,194,287	\$29,854,469	\$ 3,079,737	\$ 3,180,287	\$ 37,274,024	\$ 33,034,756

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

Long-term Debt.

Cherokee County, North Carolina's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Installment purchases	\$29,565,601	\$21,338,967	\$ 968,057	\$ 979,256	\$ 30,533,658	\$ 22,318,223
Landfill closure obligations	2,950,656	2,961,344	-	-	2,950,656	2,961,344
Other post employment benefits	538,128	396,349	-	-	538,128	396,349
Compensated absences	565,621	587,502	2,936	3,474	568,557	590,976
Pension benefit obligation	149,734	121,955	-	-	149,734	121,955
Total	\$33,769,740	\$25,406,117	\$ 970,993	\$ 982,730	\$ 34,740,733	\$ 26,388,847

Cherokee County's debt increased by \$10,841,666 (28 percent) during the current fiscal year. The key factors in this increase are the 8.1 million loan proceeds for the additions and renovations to the courthouse, the 1.4 million in loan proceeds for the acquisition of the Department of Social Services building, and the 1.2 million for the Andrews High School renovations.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Cherokee County is about \$329,372,343.

Additional information regarding Cherokee County, North Carolina's long-term debt can be found in Note III.B.7 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County.

- Due to the economic slow-down sales tax collections have been declining moderately.
- Even with a struggling economy and high unemployment rate, the County has maintained a collection rate greater than 93% .
- The County has maintained stricter policies on spending and implemented cost savings measures to help alleviate the decreases in sales tax revenues.
- All of the factors were considered in preparing Cherokee County's budget for the 2011-2012 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2012

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 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 for 2012 are \$33,525,420, which includes new debt service for the Courthouse renovation project and school renovation projects. This is a .38 % increase from the prior year budget due to the additional debt service payments previously mentioned.

Business-Type Activities: The budgeted expenditures for the Pool and Wellness Center are \$389,198, which represents a 19% decrease from the prior year. This decrease is due to a reduction in part-time staff and implementing energy savings procedures.

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 Director of Finance, Cherokee County, 75 Peachtree Street, Murphy, NC 28906.

BASIC FINANCIAL STATEMENTS

Cherokee County, North Carolina

Statement of Net Assets

June 30, 2011

	Primary Government		Total
	Governmental Activities	Business -type Activities	
ASSETS			
Cash and cash equivalents	\$ 12,237,890	\$ 46,888	\$ 12,284,778
Restricted cash	6,458,566	-	6,458,566
Investments	3,193,933	-	3,193,933
Receivables (net)	4,302,535	-	4,302,535
Due from other governments	1,431,534	-	1,431,534
Inventories	50,293	-	50,293
Internal Balances	108,482	(108,482)	-
Deferred charge - issuance costs	69,571	-	69,571
Capital assets:			
Land, improvements, and construction in progress	10,408,901	-	10,408,901
Other capital assets, net of depreciation	23,785,386	3,079,737	26,865,123
Total capital assets	34,194,287	3,079,737	37,274,024
Total assets	\$ 62,047,091	\$ 3,018,143	\$ 65,065,234
LIABILITIES			
Accounts payable and accrued expenses	\$ 3,247,884	\$ 26,861	\$ 3,274,745
Unearned revenue	173,454	33,786	207,240
Accrued interest payable	309,354	32,985	342,339
Long-term liabilities:			
Due within one year	3,195,453	11,538	3,206,991
Due in more than one year	30,574,287	959,456	31,533,743
Total liabilities	37,500,432	1,064,626	38,565,058
NET ASSETS			
Invested in capital assets, net of related debt	21,288,855	2,111,679	23,400,534
Restricted for:			
Capital Projects	5,445,264	-	5,445,264
Debt Service	3,028,162	-	3,028,162
Transportation	103,092	-	103,092
Public Safety	572,130	-	572,130
Economic Development	-	-	-
Cultural and Recreation	-	-	-
Education	625,699	-	625,699
Register of Deeds	-	-	-
Stabilization by State Statute	3,865,895	-	3,865,895
Human Services	41,819	-	41,819
Unrestricted (deficit)	(10,424,257)	(158,162)	(10,582,419)
Total net assets	\$ 24,546,659	\$ 1,953,517	\$ 26,500,176

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, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 3,602,105	\$ 510,930	\$ 872,263	\$ -
Public safety	10,586,718	2,482,829	678,632	-
Transportation	1,379,679	649,752	384,936	1,007,465
Economic and physical development	1,590,526	-	2,067	262,040
Environmental Protection	1,599,545	419,499	1,306,513	40,000
Human services	7,596,679	461,876	4,024,561	-
Cultural and recreation	554,068	-	-	-
Education	6,817,238	-	298,187	357,764
Interest on long-term debt	626,700	-	-	-
Total governmental activities	34,353,258	4,524,886	7,567,159	1,667,269
Business- type Activities				
Pool and Wellness Center	570,431	368,035	-	-
Total primary government	\$ 34,923,689	\$ 4,892,921	\$ 7,567,159	\$ 1,667,269

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 as previously reported
 Prior period adjustment
 Net assets, beginning as restated
 Net assets, ending

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

Net (Expense) Revenue and Changes in Net Assets
Primary Government

	Governmental Activities	Business -type Activities	Total
\$	(2,218,912)	\$ -	\$ (2,218,912)
	(7,425,257)	-	(7,425,257)
	662,474	-	662,474
	(1,326,419)	-	(1,326,419)
	166,467	-	166,467
	(3,110,242)	-	(3,110,242)
	(554,068)	-	(554,068)
	(6,161,287)	-	(6,161,287)
	(626,700)	-	(626,700)
	<u>(20,593,944)</u>	<u>-</u>	<u>(20,593,944)</u>
	-	-	-
	-	(202,396)	(202,396)
	<u>(20,593,944)</u>	<u>(202,396)</u>	<u>(20,796,340)</u>
	17,251,446	-	17,251,446
	4,730,507	-	4,730,507
	406,146	-	406,146
	1,223,117	-	1,223,117
	131,748	-	131,748
	370,328	-	370,328
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>24,113,292</u>	<u>-</u>	<u>24,113,292</u>
	-	-	-
	<u>24,113,292</u>	<u>-</u>	<u>24,113,292</u>
	<u>3,519,348</u>	<u>(202,396)</u>	<u>3,316,952</u>
	21,243,648	2,156,029	23,399,677
	(216,337)	(116)	(216,453)
	<u>21,027,311</u>	<u>2,155,913</u>	<u>23,183,224</u>
\$	<u>24,546,659</u>	<u>\$ 1,953,517</u>	<u>\$ 26,500,176</u>

Cherokee County, North Carolina

Balance Sheet

Governmental Funds

June 30, 2011

	Major			Non-Major	Total Governmental Funds
	General	Debt Service	Courthouse Project Fund	Total Non-Major Funds	
ASSETS					
Cash and cash equivalents	\$ 11,381,328	\$ -	\$ -	\$ 856,562	\$ 12,237,890
Restricted Cash	307,036	2,137	5,582,004	567,389	6,458,566
Investments	167,908	3,026,025	-	-	3,193,933
Receivables, net					-
Taxes	1,657,478	-	-	169,442	1,826,920
Accounts	1,173,948	-	-	1,203,250	2,377,198
Due from other governments	1,431,534	-	-	-	1,431,534
Due from other funds	1,210,158	-	-	-	1,210,158
Inventories	50,293	-	-	-	50,293
Total assets	\$ 17,379,683	\$ 3,028,162	\$ 5,582,004	\$ 2,796,643	\$ 28,786,492
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,828,230	\$ -	\$ 136,740	\$ 282,914	\$ 3,247,884
Due to other funds	-	-	-	1,101,676	1,101,676
Deferred revenue Taxes	1,657,478	-	-	169,442	1,826,920
Unearned revenue	173,454	-	-	-	173,454
Total liabilities	4,659,162	-	136,740	1,554,032	6,349,934
Fund balances:					
Nonspendable:					
Inventories	50,293	-	-	-	50,293
Restricted:					
Stabilization by State Statute	3,815,640	-	-	50,255	3,865,895
Public Safety	-	-	-	572,130	572,130
Transportation	-	-	-	103,092	103,092
Economic and Physical Development	-	-	-	-	-
Human Services	-	-	-	41,819	41,819
Fire Protection	-	-	-	-	-
School Capital	100,129	-	-	525,570	625,699
Register of Deeds	-	-	-	-	-
Mental Health Programs	-	-	-	-	-
Debt Service	-	3,028,162	-	-	3,028,162
General Government / Capital Outlay	-	-	5,445,264	-	5,445,264
Committed:					
Tax Revaluation	280,438	-	-	-	280,438
School Capital Outlay	1,149,943	-	-	-	1,149,943
Law Enforcement	154,490	-	-	-	154,490
Assigned:					
Subsequent year's expenditures	-	-	-	-	-
Unassigned:	7,169,588	-	-	(50,255)	7,119,333
Total fund balances	12,720,521	3,028,162	5,445,264	1,242,611	22,436,558
Total liabilities and fund balances	\$ 17,379,683	\$ 3,028,162	\$ 5,582,004	\$ 2,796,643	\$ 28,786,492

Cherokee County, North Carolina

Balance Sheet

Governmental Funds

June 30, 2011

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

Total Fund Balances for Governmental Funds	\$ 22,436,558
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	34,194,287
Deferred Costs of loans are not financial resources and therefore are not reported in the funds	69,571
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	98,417
Liabilities for earned but deferred revenues in fund statements.	1,826,920
Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.	(34,079,094)
Net assets of governmental activities	<u>\$ 24,546,659</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 Balances
Governmental Funds
For the Year Ended June 30, 2011

	Major			Non-Major	Total Governmental Funds
	General Fund	Debt Service	Courthouse Project Fund	Total Non-Major Funds	
REVENUES					
Ad valorem taxes	\$ 15,925,717	\$ -	\$ -	\$ 1,540,807	\$ 17,466,524
Local option sales tax	4,730,507	-	-	-	4,730,507
Other taxes and licenses	406,146	-	-	-	406,146
Unrestricted intergovernmental	1,223,117	-	-	-	1,223,117
Restricted intergovernmental	6,298,437	-	-	1,685,900	7,984,337
Permits and fees	1,815,525	-	-	-	1,815,525
Sales and services	3,927,280	-	-	-	3,927,280
Investment earnings	33,711	91,474	4,593	1,970	131,748
Miscellaneous	378,711	-	-	-	378,711
Total revenues	34,739,151	91,474	4,593	3,228,677	38,063,895
EXPENDITURES					
Current:					
General government	3,161,221	-	-	288,825	3,450,046
Public safety	8,470,190	-	-	1,930,731	10,400,921
Transportation	1,081,260	-	-	962,173	2,043,433
Environmental protection	1,397,910	-	-	-	1,397,910
Economic and physical development	1,296,611	-	-	262,040	1,558,651
Human services	7,672,341	-	-	1,358,271	9,030,612
Cultural and recreational	514,270	-	-	-	514,270
Intergovernmental:					
Education	6,059,922	-	-	757,316	6,817,238
Capital outlay	-	-	2,718,109	16,666	2,734,775
Debt service:					
Principal	2,615,032	-	-	-	2,615,032
Interest	470,187	-	-	-	470,187
Total expenditures	32,738,944	-	2,718,109	5,559,356	41,016,409
Excess (deficiency) of revenues over expenditures	2,000,207	91,474	(2,713,516)	(2,298,507)	(2,920,342)
OTHER FINANCING SOURCES (USES)					
Contingency	-	-	-	-	-
Transfers from other funds	-	383,561	-	16,666	400,227
Transfers to other funds	(400,227)	-	-	-	(400,227)
Capital lease obligations issued	-	-	-	-	-
Proceeds from long-term debt	-	-	8,158,780	2,682,886	10,841,666
Total other financing sources (uses)	(400,227)	383,561	8,158,780	2,699,552	10,841,666
Net change in fund balance	1,599,980	475,035	5,445,264	401,045	7,921,324
Fund balances, beginning	10,821,499	2,553,127	-	841,566	14,216,192
Fund balances, ending	\$ 12,720,521	\$ 3,028,162	\$ 5,445,264	\$ 1,242,611	\$ 22,436,558

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, 2011

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

Net changes in fund balances - total governmental funds	\$ 7,921,324
Change in fund balance due to change in reserve for inventory	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	
Capital outlay	6,050,538
Depreciation	(1,697,660)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(13,060)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
(Increase) Decrease in accrued taxes receivable	(207,414)
Increase (Decrease) in deferred tax revenue	(7,664)
(Increase) Decrease in accrued interest payable	(175,980)
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.	
Proceeds from long-term debt	(10,841,666)
Debt service repayments	2,615,032
Decrease in deferred charges- loan issuance cost	(6,580)
Increase in loan Issuance Cost	19,467
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 Compensated absences	21,881
Increase in Accrued Landfill closure costs	10,688
Increase in Accrued Other employment benefits	(141,779)
Increase in Accrued pension cost	(27,779)
Total changes in net assets of governmental activities	<u>\$ 3,519,348</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 Balances - Budget and Actual
General Fund

For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Positive Negative
Revenues:				
Ad valorem taxes	\$ 15,664,965	\$ 15,664,965	\$ 15,925,717	\$ 260,752
Local option sales tax	4,765,525	4,765,525	4,730,507	(35,018)
Other taxes and licenses	414,797	442,532	406,146	(36,386)
Unrestricted intergovernmental	1,305,745	1,305,745	1,223,117	(82,628)
Restricted intergovernmental	5,283,809	6,512,802	6,298,437	(214,365)
Permits and fees	1,842,444	1,852,444	1,815,525	(36,919)
Sales and services	2,971,829	3,428,573	3,927,280	498,707
Investment earnings	40,100	40,100	32,898	(7,202)
Miscellaneous	111,916	317,998	378,711	60,713
Total revenues	32,401,130	34,330,684	34,738,338	407,654
Expenditures				
Current:				
General government	3,268,507	3,266,536	3,066,804	199,732
Public safety	8,566,396	8,864,248	8,470,190	394,058
Transportation	1,007,309	1,299,693	1,081,260	218,433
Environmental protection	1,516,495	1,461,254	1,397,910	63,344
Economic and physical development	466,796	1,326,293	1,296,611	29,682
Human services	7,602,777	8,069,706	7,672,341	397,365
Cultural and recreational	522,241	529,135	514,270	14,865
Education	5,719,314	6,355,323	6,059,922	295,401
Debt service:				
Principal retirement	2,718,943	2,763,943	2,615,032	148,911
Interest and fees	470,241	470,241	470,187	54
Total expenditures	31,859,019	34,406,372	32,644,527	1,761,845
Revenues over (under) expenditures	542,111	(75,688)	2,093,811	2,169,499
Other financing sources (uses):				
Contingency	(66,885)	(11,397)	-	11,397
Transfers from other funds	-	-	-	-
Transfers to other funds	(475,228)	(475,228)	(475,227)	1
Total other financing sources (uses)	(542,113)	(486,625)	(475,227)	11,398
Appropriated Fund Balance	2	562,313	-	(562,313)
Net change in fund balance	\$ -	\$ -	1,618,584	\$ 1,618,584
Fund balance, beginning			10,821,499	
Increase in inventory			-	
Fund balance, ending			\$ 12,440,083	
A legally budgeted Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			813	
Transfer in from General Fund			75,000	
Expenditures			(94,417)	
Fund Balance, Beginning			299,042	
Fund Balance, Ending			12,720,521	

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

Cherokee County, North Carolina
Statement of Fund Net Assets
Pool and Wellness Center
Proprietary Fund
June 30, 2011

ASSETS

Current assets:

Cash and cash equivalents	\$ 46,888
Total current assets	46,888

Noncurrent assets:

Capital assets:

Other capital assets, net of depreciation	3,079,737
Total capital assets	3,079,737
Total noncurrent assets	3,079,737
Total assets	\$ 3,126,625

LIABILITIES

Current liabilities:

Accounts payable	\$ 16,359
Accrued Wages	10,502
Due to other funds	108,482
Customer deposits	33,786
Accrued Interest Payable	32,985
Current Portion of Long Term Debt	11,538
Total current liabilities	213,652

Noncurrent liabilities:

Long Term Debt (less Current portion)	956,520
Compensated Absences	2,936
Total noncurrent liabilities	959,456
Total liabilities	1,173,108

NET ASSETS

Invested in capital assets, net of related debt	2,111,679
Unrestricted	(158,162)
Total net assets	\$ 1,953,517

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

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, 2011

OPERATING REVENUES	
Membership & Fees	\$ 368,035
Total operating revenues	<u>368,035</u>
OPERATING EXPENSES	
Salaries & Employee Benefits	226,919
Supplies	41,722
Travel	2,216
Utilities	100,464
Advertising	3,329
Maintenance	42,143
Other	12,818
Depreciation	100,550
Interest	40,270
Small non capitalized equipment	
Total operating expenses	<u>570,431</u>
Operating income (loss)	<u>(202,396)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	-
Total nonoperating expenses	<u>-</u>
Income (loss) before contributions and transfers	(202,396)
Contributions	-
Transfers from other Funds	-
Change in net assets	(202,396)
Total net assets, beginning as previously reported	2,156,029
Prior period adjustment	(116)
Total net assets, beginning as restated	<u>2,155,913</u>
Total net assets, ending	<u>\$ 1,953,517</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, 2011

Cash flows from operating activities:	
Cash received from customers	\$ 368,035
Cash paid for goods and services	(234,120)
Cash paid to employees for services	(224,873)
Customer deposits received	(13,682)
Net cash used by operating activities	<u>(104,640)</u>
Cash flows from noncapital financing activities	
Due to other funds	<u>108,482</u>
Net cash provided (used) by noncapital financing activities	<u>108,482</u>
Cash flows from capital and related financing activities:	
Principal paid on bond maturities and equipment contracts	<u>(11,198)</u>
Net cash provided (used) by capital and related financing activities	<u>(11,198)</u>
Cash flows from investing activities	
Interest and dividends received	-
Purchase of investments	-
Proceeds from the sale or maturity of investments	-
Net cash provided (used) by investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(7,356)
Cash and cash equivalents, beginning	<u>54,244</u>
Cash and cash equivalents, ending	<u>\$ 46,888</u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income (Loss)	<u>\$ (202,396)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	100,550
Increase (decrease) in accounts payable and accrued liabilities	11,426
Increase (decrease) in customer deposits	(13,682)
Increase (decrease) in compensated absences payable	(538)
Total adjustments	<u>97,756</u>
Net cash provided (used) by operating activities	<u>\$ (104,640)</u>

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

Cherokee County, North Carolina
Statement of Fiduciary Net Assets
June 30, 2011

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 138,418</u>
LIABILITIES AND NET ASSETS	
Liabilities:	
Miscellaneous liabilities	132,498
Intergovernmental payables - State of North Carolina	<u>5,920</u>
Total liabilities	<u>138,418</u>
Net Assets:	<u>\$ -</u>

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

Cherokee County, North Carolina
Notes to the Financial Statements
For The Year Ended June 30, 2011

I. Summary of Significant Accounting Policies

The accounting policies of Cherokee 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. The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund.

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

Courthouse Project Fund – This fund is used to account for the renovation to the Courthouse.

The County reports the following major enterprise fund:

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

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

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.

The County reports the following non-major governmental funds:

Special Revenue Funds:

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.

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

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

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

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

Capital Project Funds:

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

Capital Reserve Fund - This fund is used for the purchase of the Cornerstone Building.

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.

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 2010 through February 2011 apply to the fiscal year ended June 30, 2011. 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, 2011 because they are intended to finance the County's operations during the 2012 fiscal year.

Measurement Focus, Basis of Accounting (Continued)

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, and the Enterprise 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, the Scattered Sites Housing 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 departmental level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

D. Assets, Liabilities, and Fund Equity**1. Deposits and Investments**

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

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

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

The unexpended loan proceeds of the Capital Reserve Fund and the Courthouse Project Fund are classified as restricted assets within the Capital Reserve Fund and Courthouse Project Fund because their use is completely restricted to the purpose for which the loans were originally issued. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. Money in the Tax Revaluation Fund is also classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

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, 2010.

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. Inventories and Prepaid Items

The inventories of the County are valued at cost (first-in, first-out), which approximates market. The County's General Fund inventory consists of aviation gasoline and jet fuel. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

7. Capital Assets

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

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

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

	<u>Years</u>
Buildings	50
Improvements	10 - 25
Furniture and equipment	10
Software	4
Vehicles	4
Computer & Electric 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, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund styles classify fund balance as follows:

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

Inventories-portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

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

Restricted for Public Safety- portion of fund balance that is restricted by revenue source to pay for the safety of the public.

Restricted for Transportation- portion of fund balance that is restricted by revenue source to pay for the purchase and maintenance of transportation vehicles and the for the construction of major capital outlay projects for the Andrews-Murphy Airport.

Restricted for Economic and Physical Development- portion of fund balance that is restricted by revenue source for the construction of housing for the elderly and disabled as well as improvements to the water and sewer systems in the county.

10. Net Assets/Fund Balances (Continued)

Restricted for Human Services- portion of fund balance that is restricted by revenue source for the purchase of the DSS Building.

Restricted for Fire Protection- portion of fund balance that is restricted by revenue source for fire protection expenditures.

Restricted for School Capital-portion of fund balance that can only be used for School Capital per G.S. 159-18-22.

Restricted for Register of Deeds- portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.

Restricted for Debt Service- portion of fund balance that is restricted for the retirement of QZAB debt owed by the County.

Restricted for General Government / Capital Outlay - portion of fund balance that is restricted for the renovation of the County Courthouse.

Committed Fund Balance- Portion of fund balance that can only be used for specific purpose imposed by majority vote of Cherokee County's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Committed for Tax Revaluation- portion of fund balance that can only be used for Tax Revaluation.

Committed for School Capital Outlay- portion of fund balance that can only be used for school debt service and school capital outlay.

Committed for Law Enforcement - portion of fund balance that can only be used for future law enforcement expenditures.

Assigned Fund Balance- portion of fund balance that the Cherokee County governing board has budgeted.

Subsequent year's expenditures-portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

Cherokee County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, and county funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County.

Cherokee County has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures. Any portion of the General Fund balance in excess of 20% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the County in a future budget.

10. Prior Period Adjustment

Cherokee County has determined that certain transactions were reported incorrectly in the prior year.

Net Assets

Governmental Activities: The restatement to capital assets and long-term debt accounts would have increased Net Asset by \$23,325 in the Government-Wide statements.

Business-type Activities: The restatement to the long-term debt accounts would have decreased Net Assets \$116 at the fund level and the Government-wide statements.

E. Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$2,110,101 consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$48,947,539
Less accumulated depreciation	<u>(14,753,252)</u>
Net capital assets	34,194,287
 Deferred charges related to advance refunding bond issued - included on government-wide statement of net assets but are not current financial resources	 69,571
 Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements	 98,417
 Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	 1,826,920
 Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(29,565,601)
Compensated absences	(565,621)
Other postemployment benefits	(538,128)
Landfill closure costs	(2,950,656)
Pension benefit obligation	(149,734)
Accrued interest payable	<u>(309,354)</u>
 Total adjustment	 <u><u>\$ 2,110,101</u></u>

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of (\$4,401,976) as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 6,050,538
Cost of disposed capital asset not recorded in fund statements	(13,060)
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(1,697,660)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets	(10,841,666)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	2,615,032
Decrease in inventory expenses	
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	(175,980)
Amortization of issuance costs not recorded on fund statements	(6,580)
Expenses reported on fund statements that are capitalized on government-wide statements-loan issuance costs	19,467
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	21,881
Other postemployment benefits	(141,779)
Pension benefits	(27,779)
Landfill closure cost	10,688
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Fair value of assets donated that is not recorded in the fund statements but is recorded in the government-wide statements	
Increase in deferred tax revenue at end of year	(7,664)
Increase in accrued taxes receivable at end of year	(207,414)
Total adjustment	<u>\$ (4,401,976)</u>

II. Stewardship, Compliance, and Accountability**A. Excess of Expenditures over Appropriations**

In accordance with budgetary control procedures outlined in G.S. 159-28, expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. At June 30, 2011, Cherokee County reported the following expenditures exceeded the amounts appropriated in the budget ordinance.

Function	Budget	Expenditures	Variance
General Fund			
Economic and Physical Development			
Special Appropriations	189,151	200,358	(11,207)
Public Safety			
Emergency Management	104,027	122,847	(18,820)
Emergency Telephone System Fund			
Public Safety	591,758	628,802	(37,044)
Fire District Fund			
Public Safety	1,212,382	1,251,982	(39,600)

Management will continue to monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations.

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. The Board has no policy regarding custodial credit risk for deposits.

At June 30, 2011, the County's deposits had a carrying amount of \$18,878,786 and a bank balance of \$18,981,752. Of the bank balance, \$608,753 was covered by federal depository insurance, and \$18,372,999 in deposits was covered by collateral held under the Pooling Method.

At June 30, 2011, Cherokee County had \$2,975 cash on hand.

2. Investments

At June 30, 2011, the County's investment balances were as follows:

Investment Type	Cost	Less Than 6 Months
Commercial Paper	\$ 1,657,199	\$ 1,657,199
FHLB Discount Note	1,368,129	1,368,129
NC Capital Management Trust:		
Cash Portfolio	168,604	N/A
Total:	\$ 3,193,932	\$ 3,025,328

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

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2011, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 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, 2011. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US Agencies (Federal Home Loan Bank) are rated AAA by Standard & Poor's and Aaa 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 \$1,657,199 investment in commercial paper and \$1,368,129 investment in FHLB 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 IFLLC Finance commercial paper and a FHLB discount note. These investments are 52% and 43% 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
2007	\$ 366,569	\$ 122,801	\$ 489,370
2008	730,576	178,991	909,567
2009	780,883	121,037	901,920
2010	772,960	-	772,960
Total	\$ 2,650,988	\$ 422,829	\$ 3,073,817

4. Receivables

Receivables at the government-wide level at June 30, 2011, were as follows:

	Accounts Receivable	Taxes Receivable	Due From Other Governments	Total
Governmental Activities:				
General	\$ 1,228,122	\$ 2,003,675	\$ 1,431,534	\$ 4,663,331
Other governmental	1,203,250	169,442	-	1,372,692
Total Receivables	2,431,372	2,173,117	1,431,534	6,036,023
Allowance for doubtful accounts	54,174	247,780	-	301,954
Total-governmental activities	<u>\$ 2,377,198</u>	<u>\$ 1,925,337</u>	<u>\$ 1,431,534</u>	<u>\$ 5,734,069</u>

5. Capital Assets**Primary Government**

Capital assets activity for the year ended June 30, 2011, was as follows:

	Beginning Balances As Restated	Increases	Transfers	Decreases	Ending Balances
Governmental Activities:					
Capital assets not being depreciated					
Land	\$ 6,044,983	\$ 655,200	\$ -	\$ -	\$ 6,700,183
Construction in progress	80,276	3,628,442	-	-	3,708,718
Total capital assets not being depreciated	6,125,259	4,283,642	-	-	10,408,901
Capital assets being depreciated					
Buildings	16,688,673	779,888	-	-	17,468,561
Other improvements	12,008,812	51,840	-	-	12,060,652
Equipment	1,811,926	66,254	-	271,105	1,607,075
Software	994,524	198,035	-	-	1,192,559
Computers & other electronic equipment	1,988,535	388,459	-	23,561	2,353,433
Vehicles & motor equipment	3,855,885	282,420	-	281,947	3,856,358
Total capital assets being depreciated	37,348,355	1,766,896	-	576,613	38,538,638
Less accumulated depreciation for:					
Buildings	3,340,760	327,808	-	-	3,668,568
Other improvements	3,960,362	495,548	-	-	4,455,910
Equipment	1,042,431	119,875	-	269,475	892,831
Software	812,771	97,522	-	-	910,293
Computers & other electronic equipment	1,762,692	143,075	-	20,514	1,885,253
Vehicles & motor equipment	2,700,129	513,832	-	273,564	2,940,397
Total accumulated depreciation	13,619,145	1,697,660	-	563,553	14,753,252
Total capital assets being depreciated, net	<u>23,729,210</u>				<u>23,785,386</u>
Governmental activities capital assets, net	<u>\$ 29,854,469</u>				<u>\$34,194,287</u>

5. Capital Assets (Continued)

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

General government	\$ 155,324
Public safety	695,456
Transportation	413,020
Economic and physical development	31,573
Human services	76,285
Environmental protection	291,612
Cultural and recreational	34,390
Total depreciation expense	<u>\$ 1,697,660</u>

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Business Type Activities:					
Capital assets being depreciated					
Buildings	\$ 3,087,019	\$ -	\$ -	\$ -	\$ 3,087,019
Other improvements	263,524	-	-	-	263,524
Equipment	119,618	-	-	-	119,618
Computers & other electronic equipment	7,613	-	-	-	7,613
Total capital assets being depreciated	<u>3,477,774</u>	-	-	-	<u>3,477,774</u>
Less accumulated depreciation for:					
Buildings	187,889	100,550			288,439
Other improvements	64,740				64,740
Equipment	38,197				38,197
Computers & other electronic equipment	6,661				6,661
Total accumulated depreciation	<u>297,486</u>	<u>100,550</u>	-	-	<u>398,037</u>
Total capital assets being depreciated, net	<u>3,180,288</u>				<u>3,079,737</u>
Business type capital assets, net	<u>\$ 3,180,288</u>				<u>\$ 3,079,737</u>

Construction commitments

The County has the following active construction commitments with contractors at June 30, 2011:

Project	Spent-to-date	Remaining Commitment
Airport Improvements	\$ -	\$ 939,521
Andrews High School Renovation	712,300	588,920
Courthouse Project	2,601,493	5,557,287
Water/Sewer Project	132,475	523,706
Total	<u>\$ 3,446,268</u>	<u>\$ 7,609,434</u>

B. Liabilities**1. Payables**

Payables at the government-wide level at June 30, 2011, were as follows:

	<u>Vendors</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
General	\$ 2,399,855	\$ 401,777	\$ 2,801,632
Other governmental	446,254	-	446,254
Total governmental activities	<u>\$ 2,846,109</u>	<u>\$ 401,777</u>	<u>\$ 3,247,884</u>
Business-type Activities:			
Pool and Wellness Center	\$ 16,359	\$ 10,502	\$ 3,274,745
Total business-type activities	<u>\$ 16,359</u>	<u>\$ 10,502</u>	<u>\$ 3,274,745</u>

2. Pension Plan 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 6.52% and 6.41%, 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, 2011, 2010, and 2009 were \$644,084, \$486,324, and \$487,384, 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, 2010, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>33</u>
Total	<u><u>34</u></u>

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, 2011 was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% 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, 2009 was 21 years.

Employer annual required contribution	\$ 35,972
Interest on net pension obligation	6,098
Adjustment to annual required contribution	(6,529)
Annual pension cost	<u>35,541</u>
Employer contributions made for fiscal year ending June 30, 2011	<u>7,762</u>
Increase in net pension obligation	27,779
Net pension obligation at beginning of year	<u>121,955</u>
Pension obligation at end of fiscal year	<u><u>\$ 149,734</u></u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
6/30/2009	\$ 19,933	22.71%	\$ 107,408
6/30/2010	22,309	34.79%	121,955
6/30/2011	35,541	21.84%	149,734

4. Funded Status and Funding Progress

As of December 31 2010, 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 \$184,290. The covered payroll (annual payroll of active employees covered by the plan) was \$1,174,227, and the ratio of the UAAL to the covered payroll was 15.69 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. Supplement 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, 2011 were \$72,753, which consisted of \$57,500 from the County and \$15,253 from the law enforcement officers.

d. 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, 2011, the County's required and actual contributions were \$2,549.

e. Other Postemployment Benefit

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 nine retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2011, the County paid \$57,800 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, 2010, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	6	-
Terminated plan members entitled to but not yet receiving benefits	-	29
Active plan members	270	-
Total	<u>276</u>	<u>29</u>

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 \$500 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 2.09% of annual covered payroll. For the current year, the County contributed \$57,800 or .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 .6% and 0.0% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$19,800. 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:

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

Annual required contribution	\$ 198,870
Interest on net OPEB obligation	15,854
Adjustment to annual required contribution	<u>(15,145)</u>
Annual OPEB cost (expense)	199,579
Contributions made	<u>(57,800)</u>
Increase (decrease) in net OPEB obligation	141,779
Net OPEB obligation, beginning of year	<u>396,349</u>
Net OPEB obligation, end of year	<u><u>\$ 538,128</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 2011 were as follows:

3 Year Trend Information			
For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 206,251	22.40%	\$ 160,081
6/30/2010	281,556	16.80%	396,349
6/30/2011	199,579	28.96%	538,128

Funded Status and Funding Progress . As of December 31, 2010, 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 \$1,816,407. The covered payroll (annual payroll of active employees covered by the plan) was \$9,515,956, and the ratio of UAAL to the covered payroll was 19.1 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, 2010 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 3.00 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, 2010, was 30 years.

f. 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, 2011, the County made contributions to the State for death benefits of \$16,482. 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, 2011, the County made contributions for death benefits of \$8,077.

g. 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.

3. Closure and Postclosure Care Costs- Cherokee County Landfill

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 \$2,950,656 as landfill closure and post closure care liability at June 30, 2011 represents a cumulative amount reported to-date based on the use of 85.5 percent of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post closure care of \$406,614 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 help 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/unearned revenues on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Taxes receivable, net (General)	\$ 1,657,478	\$ -
Taxes receivable (net)	169,442	-
Prepaid taxes	-	173,454
Total	<u>\$ 1,826,920</u>	<u>\$ 173,454</u>

5. 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 \$42,304,371 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 \$2 million 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 \$2,168,231.

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 is individually bonded for \$100,000. The tax collector, as well as the employees in the tax collector's office are bonded for \$10,000 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.

6. Contingent Liabilities

At June 30, 2011, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

7. Long-Term Obligations**a. Installment Purchase**

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:

Governmental Activities

	<u>June 30, 2011</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.	\$ 438,237
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.	.
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% and sewer improvements 66%.	622,407
Installment purchase \$1,800,000, 30 semi-annual payments of \$30,000 Plus interest at an annual rate of 3.79% through September 2023, issued 9-19-08 for school improvements.	1,500,000
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.	1,175,447
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 an office building.	117,067
Installment purchase \$1,750,000, 32 semi annual principal payments of \$58,333 plus interest at an annual rate of 4.31% through June 2017, issued 12-17-02 for schools.	758,332
Installment purchase \$920,124, 8 semi-annual payments of \$115,015 plus interest, at 3.21%, through July 18, 2012, issued 7-7-08 for equipment and software.	345,047
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 \$565,507, 30 annual payments of \$28,275 plus interest at an annual rate of 2.205% through May 2026, issued 5-6-06 for water improvements.	424,131
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 a Rescue Squad Vehicle.	94,714
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.	300,000
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 the Sheriff's Office.	1,574,650
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 the Detention Center.	4,666,666
Installment purchase \$8,158,780, 15 annual payments of \$543,919, plus interest at 3.27% through December 2025, for renovations and additions to the Courthouse.	8,158,780
Installment purchase \$1,216,000, 15 annual payments of \$81,066 plus interest at 5.50% through December 2015, issued 12-28-25 for the Department of Social Services Building acquisition.	1,216,000
Installment purchase \$184,000, 15 annual payments of \$12,266 plus interest at 5.50% through December 2025, issued 12-28-10 for the Department of Social Services Building acquisition.	184,000
Installment purchase \$1,282,886, 30 semi-annual payments of \$85,526 plus interest at an annual rate of 5.67% through December 2025, issued 12-21-10 for the Andrews High School Renovation. This is a Qualified School Construction Bond and interest paid is refundable.	1,240,123
	<u>\$29,565,601</u>

Business Type Activities

Installment purchase \$1,000,000 annual payments of \$51,470 including interest at a rate of 4.125% through September 6, 2047. Issued September 6, 2007 for the Pool and Wellness Center.	<u>\$ 968,057</u>
---	-------------------

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

Year Ending June 30,	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 2,744,453	\$ 791,312
2013	2,204,807	700,379
2014	1,774,572	625,874
2015	1,776,548	562,262
2016	1,778,618	498,551
2017-2021	15,003,196	244,343
2022-2026	4,283,407	426,275
2027 and after	-	-
Total	<u>\$ 29,565,601</u>	<u>\$ 3,848,996</u>

Year Ending June 30,	Business Type Activities	
	Principal	Interest
2012	\$ 11,538	\$ 39,932
2013	12,014	39,456
2014	12,509	39,961
2015	13,025	38,445
2016	13,562	37,908
2017-2021	76,680	180,670
2022-2026	93,855	163,495
2027-2031	114,876	142,474
2032 and after	619,998	254,710
Total	\$ 968,057	\$ 937,051

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, 2011:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Government Activities:					
Installment purchases	\$ 21,338,967	\$ 10,841,666	\$ 2,615,032	\$ 29,565,601	\$ 2,744,453
Landfill closure costs	2,961,344	-	10,688	2,950,656	-
Other					
Post Employment Benefits	396,349	199,579	(57,800)	538,128	-
Compensated absences	587,502	429,169	451,050	565,621	451,000
Pension benefit obligation	121,955	35,541	7,762	149,734	-
Total Government activities	\$ 25,406,117	\$ 11,505,955	\$ 3,026,732	\$ 33,769,740	\$ 3,195,453
Business-type activities:					
Installment purchases	\$ 979,256	\$ -	\$ 11,199	\$ 968,057	\$ 11,538
Compensated absences	3,474	2,872	3,411	2,936	-
Total Business-type activities	\$ 982,730	\$ 2,872	\$ 14,610	\$ 970,993	\$ 11,538

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.

Capital Assets, Net of Related Debt

Capital assets, net of related debt at June 30, 2011, are computed as follows

Capital assets, net of accumulated depreciation	\$ 34,194,287
Less capital debt:	
Gross debt	29,565,601
Less:	
School debt related to assets to which the County does not hold title	11,112,978
Unexpended debt proceeds	5,547,191
Net capital debt	12,905,432
Capital assets, net of related debt	\$ 21,288,855

e. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2011, consist of the following:

Due to the General Fund from:

Water and Sewer Improvement	\$	14,405
Federal COP Meth Grant		32,130
Scattered Sites		134,792
Airport Improvement		920,350
Pool and Wellness Center		108,482
		<u>108,482</u>
Total	\$	<u>1,210,159</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from other funds at June 30, 2011, consist of the following:

From the General Fund to the Debt Service fund to accumulate to retire QZAB debt	\$	(383,561)
From the General fund to the Airport improvement Fund to accumulate resources for the construction of airport improvements		(16,666)
From the General Fund to the Revaluation Fund to provide resources for the next property revaluation.		(75,000)
		<u>(75,000)</u>
Total	\$	<u>(475,227)</u>

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

f. Fund Balance

Cherokee County has a revenue spending policy that provides for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-county funds, county funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County.

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

Total Fund Balance - General Fund	\$ 12,720,521
Less:	
Inventories	50,293
Stabilization by State Statute	3,815,640
School Capital	100,129
Tax Revaluation	280,438
School Capital Outlay	1,149,943
Law Enforcement	154,490
Appropriated Fund Balance in 2012 budget	-
Working Capital/ Fund Balance Policy	7,169,588
Remaining Fund Balance	<u>\$ -</u>

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

Encumbrances	General Fund
	\$ 40,680

IV. 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, 2011. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$183,045 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, 2011. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$75,000 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.

V. Jointly Governed Organizations

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 \$18,463 to the Council during the fiscal year ended June 30, 2011. The County was the sub recipient of a grant for \$300,133 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 outpatient 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.

VI. 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. County personnel are involved with certain functions, primarily eligibility determinations, which cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients, which does not appear in the financial statements because they are not revenues or expenditures of the County.

	<u>Federal</u>	<u>State</u>
Temporary Assistance for Needy Families	\$ 54,731	\$ -
Medicaid	27,298,181	11,002,795
WIC	568,145	-
Food Stamp Program	6,169,875	
Payments to Elderly and Disabled		239,461
Adoption Assistance	140,722	30,948
Energy Assistance	376,346	-
Total	<u>\$ 34,608,000</u>	<u>\$ 11,273,204</u>

VII. 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.

VIII. Significant Effects of Subsequent Events

Cherokee County has evaluated events and transactions that occurred between June 30, 2011 and April 11, 2012, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

A settlement was reached in a lawsuit involving the County for breach of contract. As a result of the settlement the County paid \$140,000.

Cherokee County refinanced two loans for the Sherriff's Office and Detention Center into one loan at PNC Bank in the amount of \$5,700,000 at an interest rate of 1.99%. The purpose of the refinancing is an estimated savings of \$433,040 in interest over the life of the loan. The loan will be paid in 18 semi-annual fixed principal payments of \$316,666.67 plus interest.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

Law Enforcement Officers' Special Separation Allowance

Schedule of Funding Progress

Schedule of Employer Contributions

Other Postemployment Benefits

Schedule of Funding Progress

Schedule of Employer Contributions

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	\$ -	\$ 672,611	7.10%
12/31/2005	-	58,320	58,320	-	772,323	7.55%
12/31/2006	-	77,485	77,485	-	804,843	9.63%
12/31/2007	-	96,898	96,898	-	1,063,987	9.11%
12/31/2008	-	108,950	108,950	-	1,070,465	10.18%
12/31/2009	-	214,398	214,398	-	1,217,682	17.61%
12/31/2010	-	184,290	184,290	-	1,174,227	15.69%

Schedule of Employer Contributions

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2009	19,933	23.70%
2010	22,309	34.79%
2011	35,541	21.84%

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	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
*Includes inflation at	3.00%
Cost-of living adjustments	N/A

**Cherokee County, North Carolina
Other Postemployment Benefits
Required Supplementary Information**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2008	-	2,020,073	2,020,073	0.00%	9,045,677	22.33%
12/31/2010	-	1,816,407	1,816,407	0.00%	9,515,956	19.10%

Schedule of Employer Contributions

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2009	206,251	22.40%
2010	281,556	16.80%
2011	199,579	28.96%

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	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	10.5% - 5.00%
Year of Ultimate trend rate	2018
*Includes inflation at	3.00%

Combining and Individual Fund Statements and Schedules

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.

The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54 it is consolidated in the General Fund. The Revaluation Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented for informational purposes only.

Cherokee County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year taxes		\$ 15,715,273	
Penalties and interest		210,444	
Total	<u>\$ 15,664,965</u>	<u>15,925,717</u>	<u>\$ 260,752</u>
Local option sales taxes:			
Article 39 one percent		2,303,870	
Article 40 one-half of one percent		1,263,494	
Article 42 one-half of one percent		1,172,730	
Article 44 one-half of one percent		(9,587)	
Total	<u>4,765,525</u>	<u>4,730,507</u>	<u>(35,018)</u>
Other taxes and licenses:			
Register of Deeds - excise tax		183,365	
Car rental tax		4,320	
Local occupancy tax		111,635	
Solid Waste Disposal Tax		19,320	
Franchise Tax		55,154	
State and Federal Drug Tax		29,490	
Civil licenses		2,863	
Total	<u>442,532</u>	<u>406,146</u>	<u>(36,386)</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes		1,219,426	
Fuel tax reimbursements		3,691	
Total	<u>1,305,745</u>	<u>1,223,117</u>	<u>(82,628)</u>
Restricted intergovernmental:			
ABC bottle fees		9,582	
Court facility fees		36,744	
Criminal Justice grant		56,299	
Health Department grants		107,387	
Health Department state revenues		912,818	
Juvenile Crime Prevention		85,696	
Lottery proceeds		357,764	
Other grants		1,004,182	
Public School Building Capital Fund		83,249	
Transportation ROAP		149,721	
Senior Center		211,483	
Social Services		2,783,291	
Tire Disposal Tax Grant		50,069	
Transportation		235,215	
US Forest Service Timber		214,938	
Total	<u>6,512,802</u>	<u>6,298,437</u>	<u>(214,365)</u>

Cherokee County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues (continued):			
Permits and fees:			
Building permits		177,933	
Fire arm permits		14,370	
Fire inspections		5,000	
Landfill user fees		1,254,663	
Precious metal permits		980	
Register of deeds		207,453	
Water and septic permits		155,124	
Total	<u>1,852,444</u>	<u>1,815,525</u>	<u>(36,919)</u>
Sales and services:			
Ambulance fees		1,301,012	
Aviation gas sales		113,904	
Health Department fees		461,078	
Landfill tipping fees		264,375	
Jet fuel sales		126,223	
Other sales		93,379	
Personnel fees		92,082	
Rents, concessions, and fees		117,014	
Sheriff & jail fees		947,770	
Transportation fees		409,625	
Vehicle tax collection fees		817	
Total	<u>3,428,573</u>	<u>3,927,280</u>	<u>498,707</u>
Investment earnings:	<u>40,100</u>	<u>32,898</u>	<u>(7,202)</u>
Miscellaneous:			
ABC Store Distributions		63,259	
Insurance proceeds		225,538	
Other		89,914	
Miscellaneous	<u>317,998</u>	<u>378,711</u>	<u>60,713</u>
Total revenues	<u>34,330,684</u>	<u>34,738,338</u>	<u>407,654</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		83,607	
Operating expenditures		64,257	
Capital outlay		-	
Total	<u>158,521</u>	<u>147,864</u>	<u>10,657</u>
Administration:			
Salaries and employee benefits		154,717	
Operating expenditures		14,930	
Capital outlay		-	
Total	<u>180,859</u>	<u>169,647</u>	<u>11,212</u>
Board of Elections:			
Salaries and employee benefits		155,727	
Operating expenditures		48,603	
Capital outlay		-	
Total	<u>231,759</u>	<u>204,330</u>	<u>27,429</u>

Cherokee County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
General government (continued):			
Information Technology			
Salaries and employee benefits		127,185	
Operating expenditures		92,710	
Capital outlay		31,340	
Total	<u>255,342</u>	<u>251,235</u>	<u>4,107</u>
Finance:			
Salaries and employee benefits		278,469	
Operating expenditures		92,313	
Capital Outlay		-	
Total	<u>380,309</u>	<u>370,782</u>	<u>9,527</u>
Tax assessor:			
Salaries and employee benefits		378,857	
Operating expenditures		84,050	
Capital outlay		-	
Total	<u>500,192</u>	<u>462,907</u>	<u>37,285</u>
Tax collector:			
Salaries and employee benefits		127,795	
Operating expenditures		37,852	
Capital outlay		-	
Total	<u>182,076</u>	<u>165,647</u>	<u>16,429</u>
Land records:			
Salaries and employee benefits		119,487	
Operating expenditures		31,683	
Capital outlay		-	
Total	<u>154,691</u>	<u>151,170</u>	<u>3,521</u>
Register of deeds:			
Salaries and employee benefits		151,560	
Operating expenditures		184,002	
Capital outlay		-	
Total	<u>355,793</u>	<u>335,562</u>	<u>20,231</u>
Public buildings:			
Salaries and employee benefits		174,550	
Operating expenditures		254,424	
Capital outlay		-	
Total	<u>452,680</u>	<u>428,974</u>	<u>23,706</u>

Cherokee County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General government (continued):			
Court facilities:			
Salaries and employee benefits		-	
Operating expenditures		48,150	
Capital outlay		-	
Total	<u>51,596</u>	<u>48,150</u>	<u>3,446</u>
Central services:			
Salaries and employee benefits		600	
Operating expenditures		311,474	
Capital outlay		-	
Total	<u>343,018</u>	<u>312,074</u>	<u>30,944</u>
Special appropriations:			
Region A		18,463	
Total	<u>19,700</u>	<u>18,463</u>	<u>1,237</u>
Total general government	<u>3,266,536</u>	<u>3,066,804</u>	<u>199,732</u>
Public safety:			
Sheriff department:			
Salaries and employee benefits		1,929,752	
Operating expenditures		456,093	
Capital outlay		18,697	
Total	<u>2,512,489</u>	<u>2,404,542</u>	<u>107,947</u>
Jail:			
Salaries and employee benefits		1,489,045	
Operating expenditures		910,034	
Capital outlay		-	
Total	<u>2,444,548</u>	<u>2,399,079</u>	<u>45,469</u>
Ambulance service:			
Salaries and employee benefits		1,884,503	
Operating expenditures		446,574	
Capital outlay		36,851	
Total	<u>2,434,594</u>	<u>2,367,928</u>	<u>66,666</u>

Cherokee County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Public safety (continued):			
Criminal justice:			
Salaries and employee benefits		26,915	
Operating expenditures		29,816	
Capital outlay		-	
Total	<u>58,200</u>	<u>56,731</u>	<u>1,469</u>
911 addressing:			
Salaries and employee benefits		27,079	
Operating expenditures		16,294	
Capital outlay		-	
Total	<u>129,266</u>	<u>43,373</u>	<u>85,893</u>
Emergency communications:			
Salaries and employee benefits		458,661	
Operating expenditures		22,585	
Capital outlay		-	
Total	<u>508,287</u>	<u>481,246</u>	<u>27,041</u>
Emergency management:			
Salaries and employee benefits		79,382	
Operating expenditures		43,465	
Capital outlay		-	
Total	<u>104,027</u>	<u>122,847</u>	<u>(18,820)</u>
Building inspector:			
Salaries and employee benefits		219,245	
Operating expenditures		17,632	
Capital outlay		-	
Total	<u>252,132</u>	<u>236,877</u>	<u>15,255</u>
Fire inspections:			
Salaries and employee benefits		103,780	
Operating expenditures		44,213	
Capital outlay		39,173	
Total	<u>203,737</u>	<u>187,166</u>	<u>16,571</u>
Medical examiner:			
Salaries and employee benefits		-	
Operating expenditures		17,700	
Capital outlay		-	
Total	<u>20,000</u>	<u>17,700</u>	<u>2,300</u>
Animal control:			
Salaries and employee benefits		-	
Operating expenditures		438	
Capital outlay		-	
Total	<u>17,800</u>	<u>438</u>	<u>17,362</u>

Cherokee County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Public safety (continued):			
Gang prevention:			
Salaries and employee benefits		-	
Operating expenditures		393	
Capital outlay		-	
Total	<u>15,000</u>	<u>393</u>	<u>14,607</u>
Special appropriations:			
NC Forest Service-Fire protection		51,869	
Valley River Rescue Squad		50,000	
Cherokee County Rescue Squad		50,000	
Total	<u>164,168</u>	<u>151,869</u>	<u>12,299</u>
Total public safety	<u>8,864,248</u>	<u>8,470,190</u>	<u>394,058</u>
Transportation:			
Airport:			
Salaries and employee benefits		49,100	
Operating expenditures		260,489	
Capital outlay		8,000	
Total	<u>380,741</u>	<u>317,589</u>	<u>63,152</u>
Public transportation:			
Salaries and employee benefits		451,340	
Operating expenditures		200,470	
Capital outlay		111,860	
Total	<u>918,952</u>	<u>763,670</u>	<u>155,282</u>
Total transportation	<u>1,299,693</u>	<u>1,081,260</u>	<u>218,433</u>
Environmental protection:			
Solid waste:			
Salaries and employee benefits		723,726	
Operating expenditures		598,657	
Capital outlay		75,527	
Total	<u>1,461,254</u>	<u>1,397,910</u>	<u>63,344</u>
Total environmental protection	<u>1,461,254</u>	<u>1,397,910</u>	<u>63,344</u>

Cherokee County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Economic and physical development:			
Economic development:			
Salaries and employee benefits		17,531	
Operating expenditures		3,272	
Capital outlay		328	
Grants		837,000	
Total	<u>873,873</u>	<u>858,131</u>	<u>15,742</u>
Cooperative extension:			
Salaries and employee benefits		112,702	
Operating expenditures		17,733	
Capital outlay		-	
Grants		15,353	
Total	<u>167,603</u>	<u>145,788</u>	<u>21,815</u>
Soil and water conservation:			
Salaries and employee benefits		92,335	
Operating expenditures		-	
Capital outlay		-	
Grants		-	
Total	<u>95,666</u>	<u>92,335</u>	<u>3,331</u>
Special appropriations:			
Cherokee County Board of Tourism		109,707	
Soil and water conservation district		88,151	
Hiawassee River Coalition		2,500	
Total	<u>189,151</u>	<u>200,358</u>	<u>(11,207)</u>
Total economic and physical development	<u>1,326,293</u>	<u>1,296,611</u>	<u>29,682</u>
Human services:			
Health department:			
Administration:			
Salaries and employee benefits		335,562	
Operating expenditures		125,067	
Capital outlay		36,321	
Total		<u>496,950</u>	

Cherokee County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Human services (continued):			
Health programs:			
Health promotion		27,754	
Lab		220,073	
Bio Terrorism		72,000	
H1-N1		83,085	
Immunization		172,911	
Communicable disease		33,553	
Adult health		116,030	
spf-sig		181,010	
Maternal health		101,434	
Women's health		21,123	
Breast and cervical cancer		54,535	
Breast feeding peer counseling		6,625	
School based clinic		70,982	
School nurse initiative		100,000	
STD		30,470	
Family planning		216,821	
WIC		121,405	
Child health		58,914	
Child service coordinator		28,181	
Health check		313	
Smart start		57,499	
Total		<u>1,774,718</u>	
Environmental health:			
Salaries and employee benefits		282,790	
Operating expenditures		19,060	
Capital outlay		-	
Total		<u>301,850</u>	
Total Health Department	<u>2,737,376</u>	<u>2,573,518</u>	<u>163,858</u>
Social services:			
Administration:			
Salaries and employee benefits		2,972,447	
Operating expenses		1,428,152	
Capital outlay		138,428	
Total social services	<u>4,692,315</u>	<u>4,539,027</u>	<u>153,288</u>
Senior citizens program:			
Salaries and employee benefits		158,980	
Operating expenses		145,394	
Capital outlay		-	
Total senior citizens program	<u>355,711</u>	<u>304,374</u>	<u>51,337</u>
Mental health:			
Salaries and employee benefits		-	
Operating expenses		75,000	
Capital outlay		-	
Total mental health	<u>75,000</u>	<u>75,000</u>	<u>-</u>

Cherokee County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Human services (continued):			
Special appropriations:			
Industrial Opportunities, Inc.		50,000	
State of Franklin Health Council		14,000	
Haven Child Advocacy		10,000	
Juvenile Crime Prevention Programs		103,023	
Cherokee County Food Bank		3,400	
Total	<u>209,304</u>	<u>180,423</u>	<u>28,881</u>
Total human services	<u>8,069,706</u>	<u>7,672,341</u>	<u>397,365</u>
Cultural and recreational:			
Library:			
Salaries and employee benefits		-	
Operating expenditures		183,045	
Capital outlay		-	
Total	<u>183,045</u>	<u>183,045</u>	<u>-</u>
Parks and recreation:			
Salaries and employee benefits		204,960	
Operating expenditures		78,871	
Capital outlay		7,667	
Total	<u>305,002</u>	<u>291,498</u>	<u>13,504</u>
Museum:			
Salaries and employee benefits		39,171	
Operating expenditures		59	
Capital outlay		-	
Total	<u>40,591</u>	<u>39,230</u>	<u>1,361</u>
Special appropriations:			
Andrews Park		497	
Total	<u>497</u>	<u>497</u>	<u>-</u>
Total cultural and recreation	<u>529,135</u>	<u>514,270</u>	<u>14,865</u>

Cherokee County, North Carolina

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Education:			
Public schools - current		4,929,153	
Public schools - capital outlay		143,514	
Public schools - County appropriations		359,255	
Community college - current		628,000	
Community college - capital outlay		-	
Total education	<u>6,355,323</u>	<u>6,059,922</u>	<u>295,401</u>
Debt service:			
Principal retirements		2,615,032	
Interest and fees		470,187	
Total debt service	<u>3,234,184</u>	<u>3,085,219</u>	<u>148,965</u>
Total expenditures	<u>34,406,372</u>	<u>32,644,527</u>	<u>1,761,845</u>
Revenues over expenditures	<u>(75,688)</u>	<u>2,093,811</u>	<u>2,169,499</u>
Other financing sources (uses):			
Transfers to other funds:			
Airport improvement fund	(16,666)	(16,666)	-
Debt Service Fund	(383,562)	(383,561)	1
Revaluation Fund	(75,000)	(75,000)	-
Total net transfers	<u>(475,228)</u>	<u>(475,227)</u>	<u>1</u>
Contingency	(11,397)	-	11,397
Total other financing sources (uses)	<u>(486,625)</u>	<u>(475,227)</u>	<u>11,398</u>
Revenues over expenditures before appropriations	<u>(562,313)</u>	<u>-</u>	<u>2,180,897</u>
Appropriated fund balance	<u>562,313</u>	<u>-</u>	<u>(562,313)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,618,584</u>	<u>\$ 1,618,584</u>
Fund balance, beginning		<u>10,821,499</u>	
Fund balance, ending		<u>\$ 12,440,083</u>	

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, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment earnings	\$ 500	\$ 813	\$ 313
Total revenues	<u>500</u>	<u>813</u>	<u>313</u>
Expenditures:			
Current:			
General Government:			
Salaries and Employee Benefits		7,498	
Operating Expenditures		77,828	
Capital Outlay		9,091	
Total expenditures	<u>227,880</u>	<u>94,417</u>	<u>133,463</u>
Revenues over (under) expenditures	<u>(227,380)</u>	<u>(93,604)</u>	<u>133,776</u>
Other financing sources (uses):			
Transfer in:			
General Fund		75,000	
Total other financing sources (uses)	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Appropriated fund balance	152,380	-	(152,380)
Revenues and other sources over (under) expenditures	<u>\$ -</u>	(18,604)	<u>\$ (18,604)</u>
Fund balance, beginning		<u>299,042</u>	
Fund balances, ending		<u>\$ 280,438</u>	

MAJOR GOVERNMENTAL FUNDS

The County has two major governmental funds.

Special Revenue Funds:

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

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

Capital Project Funds:

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

Courthouse Project Fund – This fund is used to account for the renovation to the Courthouse.

Cherokee County, North Carolina

Debt Service Fund

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

For the Fiscal Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment earnings	\$ 85,728	\$ 91,474	\$ 5,744
Total revenues	<u>85,728</u>	<u>91,474</u>	<u>5,744</u>
Other financing sources (uses):			
Transfer in:			
General Fund		<u>383,561</u>	
Total other financing sources (uses)	<u>383,562</u>	<u>383,561</u>	<u>1</u>
Appropriated fund balance	(469,290)	-	469,290
Revenues and other sources over (under) expenditures	<u>\$ -</u>	475,035	<u>\$ 475,035</u>
Fund balance, beginning		<u>2,553,127</u>	
Fund balances, ending		<u>\$ 3,028,162</u>	

Cherokee County, North Carolina

Courthouse Project Fund

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

From Inception and for the Fiscal Year Ended June 30, 2011

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Interest	\$ -	\$ -	\$ 4,593	\$ 4,593	\$ 4,593
Total revenues	<u>-</u>	<u>-</u>	<u>4,593</u>	<u>4,593</u>	<u>4,593</u>
Expenditures:					
Education:					
Capital outlay:					
Administration		-	4,046	4,046	
Construction		-	2,586,276	2,586,276	
Professional Services		-	115,987	115,987	
Contingency		-	11,800	11,800	
Total expenditures	<u>8,158,780</u>	<u>-</u>	<u>2,718,109</u>	<u>2,718,109</u>	<u>5,440,671</u>
Revenues over (under) expenditures	<u>(8,158,780)</u>	<u>-</u>	<u>(2,713,516)</u>	<u>(2,713,516)</u>	<u>5,445,264</u>
Other financing sources (uses):					
Installment purchase proceeds	<u>8,158,780</u>	<u>-</u>	<u>8,158,780</u>	<u>8,158,780</u>	<u>-</u>
Total other financing sources (uses)	<u>8,158,780</u>	<u>-</u>	<u>8,158,780</u>	<u>8,158,780</u>	<u>-</u>
Appropriated fund balance	-	-	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>5,445,264</u>	<u>\$ 5,445,264</u>	<u>\$ 5,445,264</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 5,445,264</u>		

Non-major Governmental Funds

The County has ten non-major governmental funds.

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.

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

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

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

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

Capital Project 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.

Capital Reserve Fund - This fund is used for the purchase of the Cornerstone Building.

Cherokee County, North Carolina

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2011

	<u>Total Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 632,111	\$ 224,451	\$ 856,562
Restricted cash	-	567,389	567,389
Investments	-	-	-
Taxes receivable (net)	169,442	-	169,442
Accounts Receivable	130,985	1,072,265	1,203,250
Due from other Governments	-	-	-
Deposits and Prepaid	-	-	-
Total assets	<u><u>\$ 932,538</u></u>	<u><u>\$ 1,864,105</u></u>	<u><u>\$ 2,796,643</u></u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 63,617	\$ 219,297	\$ 282,914
Due to other funds	46,534	1,055,142	1,101,676
Deferred revenue-Taxes	169,442	-	169,442
Unearned Revenues	-	-	-
Total liabilities	<u>279,593</u>	<u>1,274,439</u>	<u>1,554,032</u>
Fund balances:	-	-	-
Restricted:	-	-	-
Stabilization by State Statute	50,255	-	50,255
Public Safety	572,130	-	572,130
Transportation	80,815	22,277	103,092
Economic and Physical Development	-	-	-
Human Services	-	41,819	41,819
Fire Protection	-	-	-
School Capital	-	525,570	525,570
Unassigned	<u>(50,255)</u>	-	<u>(50,255)</u>
Total fund balances	<u>652,945</u>	<u>589,666</u>	<u>1,242,611</u>
Total liabilities and fund balances	<u><u>\$ 932,538</u></u>	<u><u>\$ 1,864,105</u></u>	<u><u>\$ 2,796,643</u></u>

Cherokee County, North Carolina

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

June 30, 2011

	<u>Total Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Ad valorem taxes	\$ 1,540,807	\$ -	\$ 1,540,807
Other taxes and licenses	-	-	-
Restricted intergovernmental	529,382	1,156,518	1,685,900
Restricted other	-	-	-
Investment earnings	1,880	90	1,970
	<u>2,072,069</u>	<u>1,156,608</u>	<u>3,228,677</u>
Total revenues			
Expenditures:			
Current:			
General government	288,825	-	288,825
Public safety	1,930,731	-	1,930,731
Transportation	-	962,173	962,173
Education	-	757,316	757,316
Economic Development	32,172	229,868	262,040
Human services	-	1,358,271	1,358,271
Capital outlay	-	-	-
	<u>2,251,728</u>	<u>3,307,628</u>	<u>5,559,356</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	(147,487)	(2,151,020)	(2,298,507)
Other financing sources (uses):			
Installment financings	-	2,682,886	2,682,886
Transfers from other funds	-	16,666	16,666
Transfers to other funds	-	-	-
	<u>-</u>	<u>2,699,552</u>	<u>2,699,552</u>
Total other financing sources (uses)			
Net change in fund balances	(147,487)	548,532	401,045
Fund balances, beginning	800,432	41,134	841,566
Fund balances, ending	<u>\$ 652,945</u>	<u>\$ 589,666</u>	<u>\$ 1,242,611</u>

Cherokee County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Special Revenue Funds
June 30, 2011

	Emergency Telephone System Fund	Fire District Fund	Federal Recovery Transportation
Assets			
Cash and cash equivalents	\$ 606,243	\$ 22,943	\$ 85
Restricted cash	-	-	-
Investments	-	-	-
Taxes receivable (net)	-	155,083	-
Accounts Receivable	-	-	80,730
Due from other Governments	-	-	-
Deposits and Prepaid	-	-	-
Total assets	\$ 606,243	\$ 178,026	\$ 80,815
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 34,113	\$ 22,943	\$ -
Due to other funds	-	-	-
Deferred revenue-Taxes	-	155,083	-
Unearned Revenues	-	-	-
Total liabilities	34,113	178,026	-
Fund balances:			
Restricted:			
Stabilization by State Statute	-	-	-
Public Safety	572,130	-	-
Transportation	-	-	80,815
Economic and Physical Development	-	-	-
Human Services	-	-	-
Fire Protection	-	-	-
School	-	-	-
Unassigned	-	-	-
Total fund balances	572,130	-	80,815
Total liabilities and fund balances	\$ 606,243	\$ 178,026	\$ 80,815

Federal COPS Meth Grant	Bear Paw Service District	Scattered Sites Housing Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ 2,840	\$ -	\$ 632,111
-	-	-	-
-	-	-	-
-	14,359	-	169,442
18,083	-	32,172	130,985
-	-	-	-
-	-	-	-
<u>\$ 18,083</u>	<u>\$ 17,199</u>	<u>\$ 32,172</u>	<u>\$ 932,538</u>
\$ 3,679	\$ 2,840	\$ 42	\$ 63,617
14,404	-	32,130	46,534
-	14,359	-	169,442
-	-	-	-
<u>18,083</u>	<u>17,199</u>	<u>32,172</u>	<u>279,593</u>
18,083	-	32,172	50,255
-	-	-	572,130
-	-	-	80,815
-	-	-	-
-	-	-	-
-	-	-	-
<u>(18,083)</u>	<u>-</u>	<u>(32,172)</u>	<u>(50,255)</u>
-	-	-	652,945
<u>\$ 18,083</u>	<u>\$ 17,199</u>	<u>\$ 32,172</u>	<u>\$ 932,538</u>

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Special Revenue Funds
June 30, 2011

	Emergency Telephone System Fund	Fire District Fund	Federal Recovery Transportation
Revenues:			
Ad valorem taxes	\$ -	\$ 1,251,982	\$ -
Other taxes and licenses	-	-	-
Restricted intergovernmental	398,620	-	80,815
Restricted other	-	-	-
Investment earnings	1,880	-	-
Total revenues	400,500	1,251,982	80,815
Expenditures:			
Current:			
General government	-	-	-
Public safety	628,802	1,251,982	-
Transportation	-	-	-
Education	-	-	-
Economic Development	-	-	-
Capital outlay	-	-	-
Total expenditures	628,802	1,251,982	-
Excess (deficiency) of revenues over expenditures	(228,302)	-	80,815
Other financing sources (uses):			
Installment financings			
Transfers from other funds	-	-	
Transfers to other funds			
Total other financing sources (uses)	-	-	
Net change in fund balances	(228,302)	-	80,815
Fund balances, beginning	800,432	-	-
Fund balances, ending	\$ 572,130	\$ -	\$ 80,815

Federal COPS Meth Grant	Bear Paw Service District	Scattered Sites Housing Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ 288,825	\$ -	\$ 1,540,807
-	-	-	-
49,947	-	32,172	529,382
-	-	-	-
-	-	-	1,880
<u>49,947</u>	<u>288,825</u>	<u>32,172</u>	<u>2,072,069</u>
	288,825		288,825
49,947	-		1,930,731
	-		-
	-	32,172	32,172
	-		-
<u>49,947</u>	<u>288,825</u>	<u>32,172</u>	<u>2,251,728</u>
-	-	-	(147,487)
			-
			-
			-
			-
-	-	-	(147,487)
-	-	-	800,432
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 652,945</u>

Cherokee County, North Carolina

Emergency Telephone System Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Restricted intergovernmental	\$ 390,000	\$ 398,620	\$ 8,620
Investment earnings	2,600	1,880	(720)
Total revenues	<u>392,600</u>	<u>400,500</u>	<u>7,900</u>
Expenditures:			
Public safety:			
Operating Expenditures			
Supplies & materials		19,327	
Language services		20	
Telephone		53,737	
Maintenance		3,131	
Software		7,234	
Department allocation		81,205	
Capital Outlay		464,148	
Total expenditures	<u>591,758</u>	<u>628,802</u>	<u>(37,044)</u>
Excess (deficiency) of revenues over expenditures	<u>(199,158)</u>	<u>(228,302)</u>	<u>(29,144)</u>
Other financing sources (uses):			
Transfers in		-	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Appropriated fund balance	199,158	-	(199,158)
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>(228,302)</u>	<u>\$ (228,302)</u>
Fund balance, beginning		<u>800,432</u>	
Fund balances, ending		<u>\$ 572,130</u>	

Cherokee County, North Carolina

Fire District Fund

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

For the Fiscal Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad valorem taxes	\$ 1,212,382	\$ 1,251,982	\$ 39,600
Total revenues	<u>1,212,382</u>	<u>1,251,982</u>	<u>39,600</u>
Expenditures:			
Public safety:			
Bellview Fire District		90,140	
Brasstown Fire District		12,872	
Culberson Fire District		56,260	
Grape Creek Fire District		21,739	
Hanging Dog Fire District		39,505	
Hiwassee Fire District		155,497	
Wolf Creek Fire District		62,587	
Martins Creek Fire District		56,561	
Peachtree Fire District		157,791	
Murphy Rural Fire District		199,572	
Ranger Fire District		83,815	
Unaka Fire District		31,483	
Valleytown Fire District		284,161	
Total expenditures	<u>1,212,382</u>	<u>1,251,982</u>	<u>(39,600)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):			
Transfers in			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Appropriated fund balance	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balances, ending		<u>\$ -</u>	

Cherokee County, North Carolina
Federal 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, 2011

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total to Date	
Revenues:					
Grants	\$ 208,900	\$ 80,730	\$ 80,815	\$ 161,545	\$ (47,355)
Total revenues	<u>208,900</u>	<u>80,730</u>	<u>80,815</u>	<u>161,545</u>	<u>(47,355)</u>
Expenditures:					
Transportation:					
Salaries and Employee Benefits		-	-	-	
Maintenance		-	-	-	
Capital Outlay		80,730	-	80,730	
Total expenditures	<u>208,900</u>	<u>80,730</u>	<u>-</u>	<u>80,730</u>	<u>80,730</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>80,815</u>	<u>80,815</u>	<u>80,815</u>
Other financing sources (uses):					
Transfers in			-		
Total other financing sources (uses)			<u>-</u>		<u>-</u>
Appropriated fund balance		-	-		-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>80,815</u>	<u></u>	<u>\$ 80,815</u>
Fund balance, beginning			<u>-</u>		
Fund balances, ending			<u>\$ 80,815</u>		

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, 2011

	<u>Project Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Grants	\$ 491,033	\$ 396,631	\$ 49,947	\$ 446,578	\$ (44,455)
Total revenues	<u>491,033</u>	<u>396,631</u>	<u>49,947</u>	<u>446,578</u>	<u>(44,455)</u>
Expenditures:					
Public Safety:					
Cherokee County		51,021	25,570	76,591	
Macon county		60,204	524	60,728	
Swain County		55,872	-	55,872	
Haywood County		71,307	-	71,307	
Graham County		42,922	-	42,922	
Clay County		51,132	18,868	70,000	
Jackson County		64,173	4,985	69,158	
Total expenditures	<u>491,033</u>	<u>396,631</u>	<u>49,947</u>	<u>446,578</u>	<u>44,455</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):					
Transfers in			-		
Total other financing sources (uses)			<u>-</u>		<u>-</u>
Appropriated fund balance	-	-	-		-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

Cherokee County, North Carolina

Bear Paw Service District

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

For the Fiscal Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad valorem taxes	\$ 291,776	\$ 288,825	\$ (2,951)
Total revenues	<u>291,776</u>	<u>288,825</u>	<u>(2,951)</u>
Expenditures:			
General government:			
Bear Paw Service District	<u>291,776</u>	<u>288,825</u>	<u>2,951</u>
Total expenditures	<u>291,776</u>	<u>288,825</u>	<u>2,951</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Appropriated fund balance	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balances, ending		<u>\$ -</u>	

Cherokee County, North Carolina

Scattered Sites Housing Project

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

From Inception and for the Fiscal Year Ended June 30, 2011

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Interest	\$ -	\$ -	\$ -	\$ -	\$ -
Grants	800,000	-	32,172	32,172	(767,828)
Total revenues	800,000	-	32,172	32,172	(767,828)
Expenditures:					
Economic and physical development:					
Capital outlay:					
Administration		-	32,172	32,172	
Engineering		-	-	-	
Construction		-	-	-	
Inspection		-	-	-	
Total expenditures	800,000	-	32,172	32,172	767,828
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Other financing sources (uses):					
Transfer to General Fund				-	-
Total other financing sources (uses)	-	-	-	-	-
Appropriated fund balance	-	-	-	-	-
Revenues and other sources over (under) expenditures	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning			-		
Fund balance, ending			\$ -		

Cherokee County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Capital Project Funds
June 30, 2011

	School Improvements	Water & Sewer Improvements	Capital Reserve	Airport Improvements	Total Nonmajor Capital Projects Fund
Assets					
Cash and cash equivalents	\$ 207,785	\$ -	\$ -	\$ 16,666	\$ 224,451
Restricted cash	525,570	-	41,819	-	567,389
Investments	-	-	-	-	-
Taxes receivable (net)	-	-	-	-	-
Accounts receivable	-	146,304	-	925,961	1,072,265
Due from other Governments	-	-	-	-	-
Deposits and Prepaid	-	-	-	-	-
Total assets	\$ 733,355	\$ 146,304	\$ 41,819	\$ 942,627	\$ 1,864,105
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 207,785	\$ 11,512	\$ -	\$ -	\$ 219,297
Due to other funds	-	134,792	-	920,350	1,055,142
Deferred revenue-Taxes	-	-	-	-	-
Unearned Revenues	-	-	-	-	-
Total liabilities	207,785	146,304	-	920,350	1,274,439
Fund balances:					
Restricted:					
Stabilization by State Statute	-	-	-	-	-
Public Safety	-	-	-	-	-
Transportation	-	-	-	22,277	22,277
Economic and Physical Development	-	-	-	-	-
Human Services	-	-	41,819	-	41,819
Fire Protection	-	-	-	-	-
School Capital	525,570	-	-	-	525,570
Unassigned	-	-	-	-	-
Total fund balances	525,570	-	41,819	22,277	589,666
Total liabilities and fund balances	\$ 733,355	\$ 146,304	\$ 41,819	\$ 942,627	\$ 1,864,105

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Capital Project Funds
June 30, 2011

	School Improvements	Water & Sewer Improvements	Capital Reserve	Airport Improvements	Total Nonmajor Capital Projects Fund
Revenues:					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses				-	-
Restricted intergovernmental	-	229,868		926,650	1,156,518
Restricted other				-	-
Investment earnings	-	-	90	-	90
Total revenues	-	229,868	90	926,650	1,156,608
Expenditures:					
Current:					
General government	-	-		-	-
Public safety	-	-		-	-
Transportation				962,173	962,173
Education	757,316	-		-	757,316
Economic development	-	229,868		-	229,868
Human services	-	-	1,358,271		1,358,271
Capital outlay					-
Total expenditures	757,316	229,868	1,358,271	962,173	3,307,628
Excess (deficiency) of revenues over expenditures	(757,316)	-	(1,358,181)	(35,523)	(2,151,020)
Other financing sources (uses):					
Installment financings	1,282,886	-	1,400,000	-	2,682,886
Total other financing sources (uses)	1,282,886	-	1,400,000	16,666	2,699,552
Net change in fund balances	525,570	-	41,819	(18,857)	548,532
Fund balances, beginning	-	-	-	41,134	41,134
Fund balances, ending	\$ 525,570	\$ -	\$ 41,819	\$ 22,277	\$ 589,666

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, 2011

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Interest	\$ 2,619	\$ 2,619	\$ -	\$ 2,619	\$ -
NC lottery Proceeds	164,000	164,000	-	164,000	-
Total revenues	166,619	166,619	-	166,619	-
Expenditures:					
Education:					
Capital outlay:					
Murphy High School Project	1,356,104	1,356,104	-	1,356,104	-
Ranger School Addition	1,951,398	1,951,398	-	1,951,398	-
Andrews High	1,282,886	-	757,316	757,316	525,570
Total expenditures	4,590,388	3,307,502	757,316	4,064,818	525,570
Excess (deficiency) of revenues over expenditures	(4,423,769)	(3,140,883)	(757,316)	(3,898,199)	525,570
Other financing sources (uses):					
QZAB Financing	1,371,355	1,371,355	-	1,371,355	-
Other installment Financing	1,800,000	1,800,000	-	1,800,000	-
Qualified School Construction Bond	1,282,886	-	1,282,886	1,282,886	-
Transfer to General Fund	(30,472)	(30,472)	-	(30,472)	-
Total other financing sources (uses)	4,423,769	3,140,883	1,282,886	4,423,769	-
Appropriated fund balance	-	-	-	-	-
Revenues and other sources over (under) expenditures	\$ -	\$ -	525,570	\$ 525,570	\$ 525,570
Fund balance, beginning			-		
Fund balance, ending			\$ 525,570		

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, 2011

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental:					
Interest	\$ -	\$ -	\$ -	\$ -	\$ -
Grants	1,031,000	82,203	229,868	312,071	(718,929)
Total revenues	1,031,000	82,203	229,868	312,071	(718,929)
Expenditures:					
Economic and physical development:					
Capital outlay:					
Administration		20,398	14,935		
Engineering		61,805	81,283		
Construction		-	133,650		
Inspection		-	-		
Total expenditures	1,031,000	82,203	229,868	312,071	718,929
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Other financing sources (uses):					
Transfer to General Fund				-	-
Total other financing sources (uses)	-	-	-	-	-
Appropriated fund balance	-	-	-		-
Revenues and other sources over (under) expenditures	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning			-		
Fund balance, ending			\$ -		

Cherokee County, North Carolina

Capital Reserve - Cornerstone Building

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

From Inception and for the Fiscal Year Ended June 30, 2011

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental:					
Interest	\$ -	\$ -	\$ 90	\$ 90	\$ 90
Total revenues	<u>-</u>	<u>-</u>	<u>90</u>	<u>90</u>	<u>90</u>
Expenditures:					
Human Services					
Capital outlay	1,600,000	-	1,358,271	1,358,271	241,729
Total expenditures	<u>1,600,000</u>	<u>-</u>	<u>1,358,271</u>	<u>1,358,271</u>	<u>241,729</u>
Excess (deficiency) of revenues over expenditures	<u>(1,600,000)</u>	<u>-</u>	<u>(1,358,181)</u>	<u>(1,358,181)</u>	<u>241,819</u>
Other financing sources (uses):					
Installment purchase proceeds	1,600,000	-	1,400,000	1,400,000	(200,000)
Total other financing sources (uses)	<u>1,600,000</u>	<u>-</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>(200,000)</u>
Appropriated fund balance	-	-	-		-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	41,819	<u>\$ 41,819</u>	<u>\$ 41,819</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 41,819</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, 2011

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
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	72,552	850	73,402	(76,598)
Grant-36237.41.9.2	150,000	1,457,183	-	1,457,183	1,307,183
Grant-36237.41.9.1	1,574,500	150,000	75,392	225,392	(1,349,108)
Grant-36237.41.10.1	150,000	57,391	30,761	88,152	(61,848)
Grant-36237.41.10.2	410,400	389,101	26	389,127	(21,273)
Grant-36237.41.10.3	958,200	71,918	819,622	891,540	(66,660)
Grant-36237.41.11.1	150,000	-	-	-	(150,000)
Grant-36237.41.11.2	544,500	-	-	-	(544,500)
Total revenues	<u>5,112,443</u>	<u>3,222,989</u>	<u>926,650</u>	<u>4,149,640</u>	<u>(962,803)</u>
Expenditures:					
Transportation:					
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	80,613	944	81,557	85,109
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	1,687,977	16,458	1,704,435	33,398
Taxi ways extension Phase I 41.10.1	166,667	63,768	34,178	97,946	68,721
Land acquisition 41.10.2	456,000	433,079	260	433,339	22,661
Runway Approach I 41.10.3	1,064,667	79,909	908,615	988,524	76,143
11.1	166,667	-	-	-	166,667
11.2	605,000	-	1,718	1,718	603,282
Total expenditures	<u>5,668,882</u>	<u>3,650,726</u>	<u>962,173</u>	<u>4,612,899</u>	<u>1,055,983</u>
Excess (deficiency) of revenues over expenditures	<u>(556,439)</u>	<u>(427,737)</u>	<u>(35,523)</u>	<u>(463,259)</u>	<u>93,180</u>
Other financing sources (uses):					
Transfer from General Fund	<u>556,439</u>	<u>468,871</u>	<u>16,666</u>	<u>485,537</u>	<u>(70,902)</u>
Total other financing sources (uses)	<u>556,439</u>	<u>468,871</u>	<u>16,666</u>	<u>485,537</u>	<u>(70,902)</u>
Appropriated fund balance	-	-	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 41,134</u>	<u>(18,857)</u>	<u>\$ 22,278</u>	<u>\$ 22,278</u>
Fund balance, beginning			<u>41,134</u>		
Fund balance, ending			<u>\$ 22,277</u>		

Enterprise Fund

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

Cherokee County, North Carolina

Wellness Center

Statement of Revenues, Expenditures - Budget and Actual (non-GAAP)

For the Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Charges for Services:			
Membership & Fees		\$ 368,035	
Total operating revenues	<u>\$ 356,658</u>	<u>368,035</u>	<u>\$ 11,377</u>
Nonoperating Revenues:			
Contributions		-	
Interest earnings		-	
Total nonoperating revenues	<u>179,310</u>	<u>-</u>	<u>(179,310)</u>
Total revenues	<u>535,968</u>	<u>368,035</u>	<u>(167,933)</u>
Other financing Sources:			
Transfer from other funds:	-	-	-
Total revenues and other financing sources	<u>535,968</u>	<u>368,035</u>	<u>(167,933)</u>
EXPENDITURES:			
Operations:			
Salaries & Employee Benefits		227,457	
Supplies		41,722	
Travel		2,216	
Utilities		100,464	
Maintenance		42,143	
Other		12,818	
Advertising		3,329	
Capital Outlay		-	
Total operating expenses	<u>484,155</u>	<u>430,149</u>	<u>54,006</u>
Debt Service:			
Interest	40,735	40,270	
Principal	11,078	11,199	
Total debt service	<u>51,813</u>	<u>51,469</u>	<u>344</u>
Total Expenditures:	<u>535,968</u>	<u>481,618</u>	<u>54,350</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (113,583)</u>	<u>\$ (113,583)</u>
Reconciliation from Budgetary Basis (modified accrual) to Full accrual:			
Revenues and other financing sources over (under) expenditures		\$ (113,583)	
Reconciling items:			
Principal retirement		11,199	
Depreciation		(100,550)	
Capital outlay		-	
Decrease in accrued vacation pay		538	
Total reconciling items		<u>(88,813)</u>	
Change in net assets		<u>\$ (202,396)</u>	

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.

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, 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Social Services</u>				
Assets:				
Cash and cash equivalents	\$ 51,647	\$ 544,018	\$ 538,896	\$ 56,769
Liabilities:				
Miscellaneous liabilities	\$ 51,647	\$ 544,018	\$ 538,896	\$ 56,769
<u>Deed of Trust</u>				
Assets:				
Cash and cash equivalents	\$ 550	\$ 5,665	\$ 6,215	\$ -
Liabilities:				
Intergovernmental payable State of NC	\$ 550	\$ 5,665	\$ 6,215	\$ -
<u>Sheriff's Fund</u>				
Assets:				
Cash and cash equivalents	\$ 46,687	\$ 249,254	\$ 220,212	\$ 75,729
Liabilities:				
Miscellaneous liabilities	\$ 46,687	\$ 249,254	\$ 220,212	\$ 75,729
<u>Fines and Forfeitures</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 133,513	\$ 133,513	\$ -
Liabilities:				
Intergovernmental payable- Cherokee Co BD of ED.	-	133,513	133,513	-
	\$ -	\$ 133,513	\$ 133,513	\$ -
<u>Motor Vehicle Tax</u>				
Assets:				
Cash and cash equivalents	\$ 4,788	\$ 63,795	\$ 62,663	\$ 5,920
Liabilities:				
Intergovernmental payable	\$ 4,078	\$ 53,706	\$ 51,864	\$ 5,920
Intergovernmental payable State of NC	710	10,089	10,799	-
Total	\$ 4,788	\$ 63,795	\$ 62,663	\$ 5,920
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 103,672	\$ 996,245	\$ 961,499	\$ 138,418
Liabilities:				
Miscellaneous liabilities	\$ 98,334	\$ 793,272	\$ 759,108	\$ 132,498
Intergovernmental payable-	5,338	202,973	202,391	5,920
Total liabilities	\$ 103,672	\$ 996,245	\$ 961,499	\$ 138,418

OTHER SCHEDULES

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

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Schedule of Transfers

Schedule of Governmental Long Term Debt

Cherokee County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2011

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2010</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2011</u>
2010-2011	\$ -	\$ 15,861,615	\$ 14,877,390	\$ 984,225
2009-2010	1,048,091	-	652,318	395,773
2008-2009	300,087	-	145,145	154,942
2007-2008	130,071	-	33,480	96,591
2006-2007	76,737	-	9,469	67,268
2005-2006	55,452	-	4,665	50,787
2004-2005	44,600	-	3,724	40,876
2003-2004	42,534	-	2,594	39,940
2002-2003	42,264	-	1,919	40,345
2001-2002	36,151	-	1,637	34,514
2000-2001	36,439	-	36,439	-
	<u>\$ 1,812,426</u>	<u>\$ 15,861,615</u>	<u>\$ 15,768,782</u>	<u>\$ 1,905,258</u>

Less: allowance for uncollectible accounts:

General fund

(247,780)

Ad valorem taxes receivable - net:

General fund

\$ 1,657,478

Reconciliation with revenues:

Ad valorem taxes - General fund

\$15,925,717

Reconciling items:

Interest Collected

(210,444)

Release and adjustments

17,758

Taxes written off

35,751

Total reconciling items

(156,935)

Total collections and credits

\$15,768,782

Cherokee County, North Carolina
Analysis of Current Tax Levy
County-wide Levy
For the Fiscal Year Ended June 30, 2011

	<u>County - wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$ 4,062,737,662	0.385	\$ 15,641,540	\$ 14,849,613	\$ 791,927
Penalties	-		11,179	11,179	-
Total	<u>4,062,737,662</u>		<u>15,652,719</u>	<u>14,860,792</u>	<u>791,927</u>
Discoveries:					
Current year taxes	69,484,675	0.385	267,516	267,516	-
Abatements					
Penalties			(608)	(608)	
Taxes	<u>(15,068,052)</u>	0.385	(58,012)	(45,065)	(12,947)
Total property valuation	<u><u>4,117,154,286</u></u>				
Net levy			15,861,615	15,082,635	778,980
Uncollected taxes at June 30, 2011			<u>984,225</u>	<u>806,024</u>	<u>178,201</u>
Current year's taxes collected			<u>\$14,877,390</u>	<u>\$14,276,611</u>	<u>\$600,779</u>
Current levy collection percentage			<u>93.79%</u>	<u>94.66%</u>	<u>77.12%</u>

Cherokee County, North Carolina
Schedule of Transfers
For the Fiscal Year Ended June 30, 2011

Operating Transfers From/To Other Funds	Transfers	
	From	To
General Fund:		
Airport Improvement Fund		16,666
Debt Service Fund		383,561
Revaluation Fund		75,000
Capital Projects Fund:		
Airport Improvement Fund	16,666	
Debt Service Fund		
General	383,561	
Revaluation Fund		
General	75,000	
	475,227	475,227

Cherokee County, North Carolina
Schedule of Governmental Long Term Debt
For the Fiscal Year Ended June 30, 2011

	Fiscal Year					
	2011	2010	2009	2008	2007	2006
Long term Debt						
School Installment Purchases	12,367,533	12,582,964	13,719,984	11,635,734	12,630,362	13,608,096
Other installment Purchases	18,166,125	9,735,153	10,289,159	10,754,805	12,502,185	11,553,017
Total installment Purchases	<u>30,533,658</u>	<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>
Capital Leases	-	-	-	-	26,852	79,015
Landfill Closure Cost	2,950,656	2,961,344	2,830,170	2,700,185	2,492,203	2,285,563
Other Post employment obligations	538,128	236,272	160,081			
Vacation Payable	568,557	587,502	611,925	541,284	491,051	415,033
Pension Benefit Obligation	149,734	121,955	107,408	92,003	76,321	62,651
Total Long term Debt.	<u>34,740,733</u>	<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>
Less Debt service Funds	<u>3,028,162</u>	<u>2,553,127</u>	<u>2,082,845</u>	<u>1,627,164</u>	<u>1,189,314</u>	<u>771,610</u>
Net long term Obligations	<u>31,712,571</u>	<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>
Annual Debt Service	<u>3,587,235</u>	<u>3,144,171</u>	<u>3,467,043</u>	<u>3,786,576</u>	<u>3,961,546</u>	<u>2,812,776</u>
Annual Debt Service as a % General fund Expenditures and transfers	<u>11.1%</u>	<u>10.1%</u>	<u>10.0%</u>	<u>11.5%</u>	<u>12.8%</u>	<u>9.2%</u>

COMPLIANCE SECTION

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

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Cherokee County Board of Commissioners
Murphy, North Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregated remaining fund information of Cherokee County (the "County"), as of and for the year ended June 30, 2011, which collectively comprises the County's basic financial statements, and have issued our report thereon dated April 11, 2012. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Cherokee County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to not identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Cherokee County, in a separate letter dated April 11, 2012.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

TURNER, ENNIS & HATCHETT CPA'S P.A

April 11, 2012

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

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

Cherokee County Board of Commissioners
Murphy, North Carolina

Compliance

We have audited Cherokee County, North Carolina, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Cherokee County's major federal programs for the year ended June 30, 2011. The Cherokee County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Cherokee County's management. Our responsibility is to express an opinion on Cherokee County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, *OMB Circular A-133*, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cherokee County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Cherokee County's compliance with those requirements.

In our opinion, Cherokee County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Cherokee County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Board of Commissioners, management, others within the entity, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

TURNER, ENNIS & HATCHETT, CPA'S P.A.

April 11, 2012

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

31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

Report on Compliance - Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act

Cherokee County Board of Commissioners
Murphy, North Carolina

Compliance

We have audited Cherokee County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2011. Cherokee County's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Cherokee County's management. Our responsibility is to express an opinion on Cherokee County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Cherokee County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Cherokee County's compliance with those requirements.

In our opinion, Cherokee County complied, in all material respects with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2011

Internal Control Over Compliance

Management of Cherokee County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered internal control over compliance with the requirements that could have a direct and material effect on a major State program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cherokee County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended for the information and use of the Board of Commissioners, management, others within the organization, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

TURNER, ENNIS & HATCHETT, CPA'S P.A.

April 11, 2012

Cherokee County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material Weakness identified yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses? yes X no

Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major federal programs:

- Material Weakness identified yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses? yes X no

Type of auditor's report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133. yes X no

Identification of major Federal Program:

<u>Name of Federal Program or Cluster</u>	<u>CFDA#</u>
Title XIX Medicaid	<u>93.778</u>
Adoption Assistance	<u>93.659</u>
Special Supplemental Nutrition for Women, Infants, and Children (WIC)	<u>10.557</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$ 941,055

Auditee qualified as low-risk auditee X yes no

Cherokee County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011

State Awards

Internal control over major state programs:

- Material Weakness identified _____ yes X no

- Significant Deficiency(s) identified that are not considered to be material weaknesses? _____ yes X no

Type of auditor's report issued on compliance for major state programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act

_____ yes X no

Identification of Major State programs:

Name of State Program or Cluster

The Medical Assistance Cluster is a State match on a Federal program. Therefore, this cluster has been included in the list of major federal programs above.

II. Findings Related to the Audit of the Basic Financial Statements of Cherokee County.

None

III. Findings and Questioned Costs Related to the Audit of Federal Awards

None

IV. Findings and Questioned Costs Related to the Audit of State Awards

None

Cherokee County, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2011

Section II. Financial Statement Findings

None Reported

Section III. Federal Award Findings and Questions Costs

None Reported

Section IV. State Award Findings and Questioned Costs

None Reported

Cherokee County, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2011

Finding 2010-1

Status:

The finding is no longer valid due to the following:

- (i) The County contacted the local banks informing them of the County's policy for Board approval of all accounts opened.

- (ii) ii. All payments to the County are now directed to the Finance Officer rather than to the individual departments where appropriate.

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2011

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Grants					
Cash Programs:					
<u>U.S. Department of Health and Human Services:</u>					
<u>Administration for Children and Families</u>					
Passed-through the N.C. Department of Health and Human Services:					
<u>Division of Social Services:</u>					
Administration:					
Promoting Safe and Stable Families	93.556		4,332		
TANF Adoption / Foster Care Adm.	93.558		443,651		159,891
Child Support Enforcement	93.563		943	9	477
Low Income Home Energy Assistance	93.568		165,007		
Child Welfare Services-State Grants	93.645		7,449		2,609
ARRA Foster Care_ Title IV-E	93.658		168,913	12,471	155,705
Social Services Block Grant	93.667		109,155	10,278	37,836
Chafee Foster Care Independent Living Administration	93.674		6,438	1,609	
Family Violence Prevention and Services	93.671		2,175		
Administration for Children and Families					
Passed-through N.C. Department of Health and Human Services:					
<u>Division of Social Services:</u>					
Foster Care and Adoption					
ARRA Adoption Title IV-E Administration	93.659		1,358		1,358
Temporary Assistance for Needy Families					
TANF Adoption / Foster Care Adm.	93.558				
Foster Care Direct Benefits	93.658		96,418	21,950	24,153
Adoption Direct benefits	93.659		140,722	30,998	46,569
Total Foster Care and Adoption			238,498	52,948	72,080
Public Assistance					
TANF Payments	93.558		54,731		
AFDC Unemployed	93.560		(136)	(37)	(37)
Independent Living Transition	93.674		8,040		
Low Income Home Energy Assistance	93.568		376,346		50
Total Division of Social Services			1,585,542	77,278	428,611
Centers for Medicare and Medical Services					
Passed-through N.C. Department of Health and Human Services:					
<u>Division of Medical Assistance:</u>					
Direct Benefit Payments:					
Title XIX-Medicaid	93.778		27,298,181	11,002,795	14,322
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778		556,347	17,931	530,284
State Children's Insurance Program NC Health Choice	93.767		31,339	1,426	8,816
Total Centers for Medicare and Medical Services			27,885,867	11,022,152	553,422
<u>Division of Public Health:</u>					
Medical Assistance Program	93.778		7,323	2,826	
Family Planning Services	93.217		39,062		
Bioterrorism Grant	93.069		17,058		
Immunization Grants	93.268		10,209		
Centers for disease control and prevention investigations and technical assistance	93.283		145,333	35	
TANF - Out of Wedlock					
Family Planning	93.558		1,616		
Preventive Health and Health Services Block Grant	93.991		15,253		
Maternal & Child Health Services Block Grant:					
Maternal Health	93.994		3,609	2,707	
Family Planning	93.994		25,391	19,046	
Child Care Coordination	93.994		921	691	
Child Health	93.994		16,210	12,159	
Total Division of Public Health			281,985	37,464	-

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2011

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Division of Aging					
Passed through Southwestern Economic Development Commission					
Special Programs for the Aging Title III, Part B Grants for Supportive	93.044		260,888	15,346	30,693
			<u>260,888</u>	<u>15,346</u>	<u>30,693</u>
Total U.S. Department of Health and Human Services			<u>30,014,282</u>	<u>11,152,240</u>	<u>1,012,726</u>
Continued					
U.S. Department of Agriculture					
Passed-through N.C. Department of Health & Human Services:					
Division of Public Health:					
AGRI-WIC Supplemental Food Program	10.557		151,783		
Total Division of Public Health			<u>151,783</u>	-	-
Direct Benefit Payments:					
ARRA Special Supplemental Nutrition Program for Women, Infants and Children (WIC)					
Total U.S. Department of Agriculture	10.557		568,145	-	-
			<u>719,928</u>	-	-
U.S. Department of Transportation					
Passed-through N.C. Department of Transportation:					
ARRA Formula Grants for Other than Urbanized Areas- ARRA					
Project 36233.22.12.1	20.509		127,335	7,958	23,875
Project 10-AR-019	20.509		80,815		
Airport Improvement Plan					
Project 36237.41.8.1	20.106		850		94
Project 36237.41.9.2	20.106		12,817		1,424
Project 36237.41.10.1	20.106		30,761		3,418
Project 36237.41.10.2	20.106		24,601		2,733
Total U.S. Department of Transportation			<u>277,179</u>	<u>7,958</u>	<u>31,544</u>
U.S. Department of Homeland Security					
Passed-through N.C. Department of Crime Control and Public Safety and Public Safety:					
Emergency Management Performance Grants	97.042		25,298		
Total U.S. Department of Homeland Security			<u>25,298</u>	-	-
U. S. Department of Justice					
Office of Justice:					
Public Safety Partnerships and Community Policing Grants	16.71		49,947		
ARRA Act - Edward Byrne Memorial Justice Assistance Grant					
Passed through N.C. Governor's Crime Commission:					
ARRA Edward Byrne Memorial State and Local Law Enforcement	16.803		4		1,494
Crime Victim Assistance	16.575		51,987		12,997
Total Department of Justice			<u>101,938</u>	-	<u>14,491</u>
US Dept of Housing and Urban Development					
Passed through the NC Dept of Commerce					
Community Development Block Grant-R CDBG 09R-1958	14.255		229,868	-	
Total Department of Housing and Urban Development			<u>229,868</u>	-	-
US Environmental Protection Agency					
Water Protection Division					
Congressionally Mandated Projects	66.202		477,000	-	
			<u>477,000</u>	-	-
State Awards					
N.C. Department of Juvenile Justice & Delinquency Prevention:					
Office of Juvenile Justice					
30th District Multi-County Budget			-	85,696	16,847

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2011

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Fed. (Direct &</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>	<u>Local</u> <u>Expenditures</u>
US Dept of Agriculture: outstanding loan balance	10.766		<u>968,058</u>		

Notes to the Schedule of Expenditures of Federal and State Financial Assistance

1. The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Cherokee County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the general purpose financial statements. Benefit payments are paid directly to recipients and are not included in the County's basic financial statements. However, Due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on this schedule.

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