

**Cherokee County, North Carolina**  
**Financial Statements**  
**June 30, 2013**

Turner, Hatchett & Turner , CPA's, P.A.  
31 Peachtree Street • Murphy, NC 28906 • Phone (828) 837-8188 • Fax (828) 837-5313

**Cherokee County, North Carolina**

**County Officials**

**June 30, 2013**

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**COMMISSIONERS**

David Wood - Chairman

Lorraine Meltz - Vice-Chairman

Steve Jordan - Member

C.B. McKinnon - Member

Cal Stiles - 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 Director

Will Roberts - Tax Administrator

Donna Crawford - Director of Social Services

Towanna Roberts - Health Director

R. Scott Lindsay - County Attorney

# Cherokee County, North Carolina

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## **FINANCIAL SECTION**

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

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

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## Independent Auditors' Report

Board of Commissioners  
Cherokee County  
Murphy, North Carolina

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Cherokee County, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Debt Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note IX to the financial statements, in 2013 the County adopted new accounting guidance, GASB Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions on pages 8 through 15 and 54 through 56, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Cherokee County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by 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 fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014 on our consideration of Cherokee County'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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cherokee County's internal control over financial reporting and compliance.

*Turner, Hatchett & Turner, C.P.A.'s, P.A.*

Turner, Hatchett & Turner, CPA's, P.A.  
Murphy, North Carolina

March 31, 2014



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Cherokee County, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2013**

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, 2013. 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**

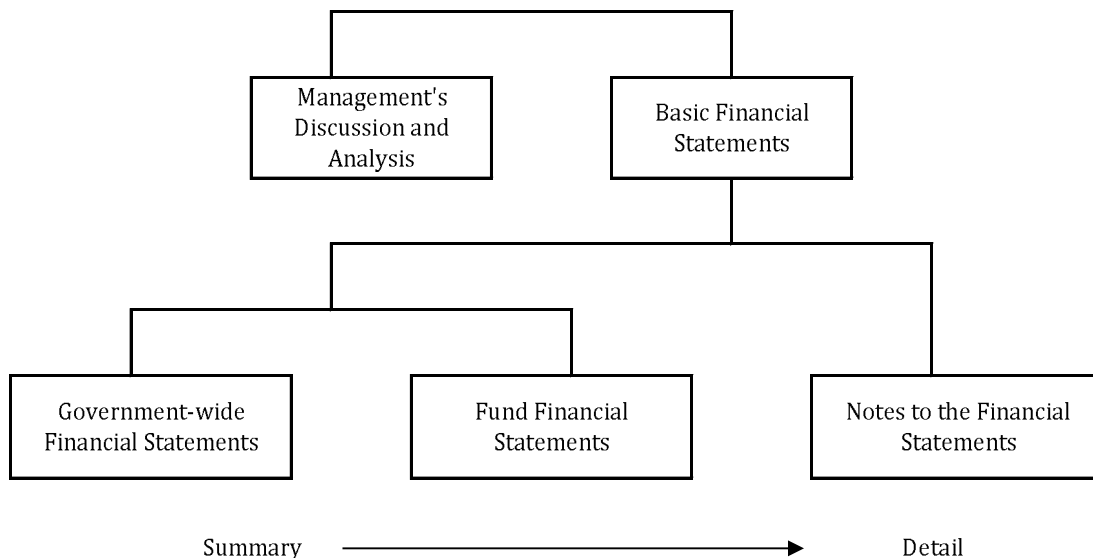
- The assets and deferred outflows of resources of Cherokee County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$32,614,394 (net position).
- The government's total net position increased by \$3,623,622, primarily due to increased net position in the General Fund.
- As of the close of the current fiscal year, Cherokee County's governmental funds reported combined ending fund balances of \$19,321,372, an increase of \$1,470,106 in comparison with the prior year. Approximately 51.95% percent of this total amount, or \$10,036,844, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,291,728, or 28% percent of total general fund expenditures for the fiscal year.
- Cherokee County's debt decreased by \$2,089,557 (6.45% percent) during the current fiscal year. The key factor of this decrease was the principal payments on all debt.

**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 position and how they have changed. Net position is the difference between the County's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The 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 Position 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 Position 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 54 of this report.

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Cherokee County exceeded liabilities by \$32,614,394 as of June 30, 2013. The County's net position increased by \$3,623,622 for the fiscal year ended June 30, 2013. One of the largest portions \$27,635,507 (84.73%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). 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 position \$9,078,618 (27.84%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets in the amount of (\$4,099,731) 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, 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 Position

Figure 2

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and other assets	\$ 24,132,615	\$ 23,445,825	\$ 71,311	\$ 68,766	\$ 24,203,926	\$ 23,514,591
Internal balances	-	4,229	-	(4,229)	-	-
Capital assets	39,327,553	39,105,123	2,886,243	2,986,512	42,213,796	42,091,635
Total assets	63,460,168	62,555,177	2,957,554	3,051,049	66,417,722	65,606,226
<b>Liabilities</b>						
Long-term liabilities outstanding	29,348,060	31,427,756	948,166	960,448	30,296,226	32,388,204
Other liabilities	3,235,465	3,924,849	78,754	84,195	3,314,219	4,009,044
Total liabilities	32,583,525	35,352,605	1,026,920	1,044,643	33,610,445	36,397,248
Deferred inflows of resources	192,883	134,308	-	-	192,883	134,308
<b>Net position</b>						
Net investment in capital assets	25,693,770	22,649,467	1,941,737	2,029,992	27,635,507	24,679,459
Restricted	9,078,618	8,724,640	-	-	9,078,618	8,724,640
Unrestricted	(4,088,628)	(4,305,843)	(11,103)	(23,586)	(4,099,731)	(4,329,429)
Total net position	\$ 30,683,760	\$ 27,068,264	\$ 1,930,634	\$ 2,006,406	\$ 32,614,394	\$ 29,074,670

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 94.31%.
- The County has maintained stricter policies on spending and implemented cost savings measures.
- The retirement and refinancing of debt has resulted in an annual savings of approximately 17%.

## Cherokee County, North Carolina's Changes in Net Position

Figure 3

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 4,579,724	\$ 4,798,560	\$ 359,330	\$ 359,409	\$ 4,939,054	\$ 5,157,969
Operating grants and contributions	8,091,600	8,122,290	-	-	8,091,600	8,122,290
Capital grants and contributions	1,204,336	2,126,708	-	18,747	1,204,336	2,145,455
General revenues:						
Property taxes	17,776,840	17,571,850	-	-	17,776,840	17,571,850
Other taxes	5,398,734	5,402,330	-	-	5,398,734	5,402,330
Grants and contributions not restricted to specific programs	1,308,417	1,240,121	-	-	1,308,417	1,240,121
Other	180,404	577,908	2	-	180,406	577,908
Total revenues	38,540,055	39,839,767	359,332	378,156	38,899,387	40,217,923
Expenses:						
General government	3,384,915	3,919,517	-	-	3,384,915	3,919,517
Public safety	10,628,742	11,000,883	-	-	10,628,742	11,000,883
Transportation	1,624,372	1,438,372	-	-	1,624,372	1,438,372
Economic and physical development	1,080,455	1,551,626	-	-	1,080,455	1,551,626
Environmental protection	1,453,708	1,632,127	-	-	1,453,708	1,632,127
Human services	9,152,643	9,055,556	-	-	9,152,643	9,055,556
Cultural recreation	797,337	543,847	529,649	546,686	1,326,986	1,090,533
Education	6,196,711	7,238,761	-	-	6,196,711	7,238,761
Interest on long-term debt	427,233	668,456	-	-	427,233	668,456
Total expenses	34,746,116	37,049,145	529,649	546,686	35,275,765	37,595,831
Increase (decrease) in net position before transfers	3,793,939	2,790,622	(170,317)	(168,530)	3,623,622	2,622,092
Transfers	(94,545)	(221,419)	94,545	221,419	-	-
Increase in net position	3,699,394	2,569,203	(75,772)	52,889	3,623,622	2,622,092
Net position, beginning as restated	26,984,366	24,499,061	2,006,406	1,953,517	28,990,772	26,452,578
Net position, ending	\$ 30,683,760	\$ 27,068,264	\$ 1,930,634	\$ 2,006,406	\$ 32,614,394	\$ 29,074,670

**Governmental activities.** Governmental activities increased the County's net position by \$3,699,394 thereby accounting for 102.09% of the total growth in the net position 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 reduced the County's net position by \$75,772. Before transfers business-type activities resulted in a \$170,317 decrease in net position. The most significant change was the reduction of transfers from the General Fund.

### 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 \$10,876,100 while total fund balance reached \$14,672,919. The Governing Body of Cherokee County has determined that the county should maintain an available fund balance of 8% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the case flow needs of the County. The County currently has an available fund balance of 31.91% of general fund expenditures, while total fund balance represents 43.41% of the same amount.

At June 30, 2013, the governmental funds of Cherokee County reported a combined fund balance of \$19,321,372, a 8.24% decrease 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. Total amendments to the General Fund increased all revenues by \$579,048. Budget amendments were made concurrently as facts and circumstances became known with revenue and expenditure streams.

**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 position of the Pool and Wellness Center at the end of the fiscal year amounted to a deficit of (\$11,103). The total decrease in net position for the Pool and Wellness Center was \$75,772. 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, 2013, totals \$42,213,796 (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.

- During the fiscal year ended June 30, 2013, the Director of Finance conducted a thorough review of the County's capital asset detail. At that time it was discovered that there were assets on the detail which were either non-operational or no longer in the County's possession. The adjustment to arrive at a more accurate capital asset listing resulted in the majority of the current fiscal year decreases to capital assets.
- Addition of construction in progress on the Health Department Renovation and Expansion Capital Project and Airport Improvement Project.
- Completed and capitalized buildings and other improvements for the Courthouse Project, the Andrews segment of the Health Department Renovation and Expansion Project, and the Airport Improvement Project.
- Remodeled annex building and added security controls.
- Purchased a new computer server, network attached storage, and a Dell Latitude E6420 XFR Fully Rugged Laptop.
- Purchased vehicles for the Sheriff's Department and Social Services.

#### Business-Type Activities.

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

### Construction commitments

The County has the following active construction commitments with contractors at June 30, 2013:

Project	Spent-to-date	Remaining Commitment
Health Department	\$ 11,000	\$ 539,392
Airport Improvements	202,445	928,672
Total	<u>\$ 213,445</u>	<u>\$ 1,468,064</u>

**Cherokee County, North Carolina's Capital Assets  
(Net of Depreciation)  
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Capital Assets:						
Land	\$ 6,700,183	\$ 6,700,183	\$ -	\$ -	\$ 6,700,183	\$ 6,700,183
Construction in progress	1,468,063	9,501,042	-	-	1,468,063	9,501,042
Land Improvements	26,708	-	-	-	26,708	-
Buildings	21,624,494	13,464,386	2,713,909	2,775,649	24,338,403	16,240,035
Other improvements	7,852,911	7,163,210	126,797	153,364	7,979,708	7,316,574
Equipment	707,605	711,066	45,537	57,499	753,142	768,565
Software	76,389	162,494	-	-	76,389	162,494
Computers & electronic equipment	253,566	401,847	-	-	253,566	401,847
Vehicles & motorized equipment	617,634	982,189	-	-	617,634	982,189
Total capital assets	\$ 39,327,553	\$ 39,086,417	\$ 2,886,243	\$ 2,986,512	\$ 42,213,796	\$ 42,072,929

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

**Cherokee County, North Carolina's Outstanding Debt  
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Long-term debt:						
Installment purchases	\$ 24,457,392	\$ 26,896,467	\$ 944,506	\$ 956,520	\$ 25,401,898	\$ 27,852,987
Landfill closure obligations	3,253,564	3,113,717	-	-	3,253,564	3,113,717
Other post employment benefits	858,045	679,347	-	-	858,045	679,347
Compensated absences	586,720	564,442	3,660	3,928	590,380	568,370
Pension benefit obligation	192,339	171,362	-	-	192,339	171,362
Total	\$ 29,348,060	\$ 31,425,335	\$ 948,166	\$ 960,448	\$ 30,296,226	\$ 32,385,783

Cherokee County's debt decreased by \$2,089,557 (6.45% percent) during the current fiscal year. The key factor of this decrease was the principal payments on all debt.

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 \$244,781,585.

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.

- At June 30, 2013, the County had an unemployment rate of 12%, higher than the statewide rate of 9.3%.
- The unemployment rate is gradually decreasing with a .9% decrease from the prior year.
- At June 30, 2013, 44 counties had unemployment rates 10% or greater.
- Even with a struggling economy and high unemployment rate, the County has maintained a collection rate greater than 94.31%.
- Due to the economic slow-down sales tax collections that have been declining moderately are beginning to increase.
- The County has maintained stricter policies on spending and implemented cost savings measures.

**Budget Highlights for the Fiscal Year Ending June 30, 2014**

**Governmental Activities:** The 2013-2014 Board approved Budget reflected an increase in expected property tax revenues due to the creation of additional fire districts. A minimal increase in sales tax collections is expected. The County will continue to fund current programs, and continue to look for ways to offer these services at a lower cost to the County. Budgeted expenditures in the General Fund for 2014 are \$34,422,056. This is a small increase from the prior year budget. This increase in the budget is due to additional funding needed for the Cherokee County School System. Additional funding of \$855,911 was needed by the school system due to the loss of state funding. Without this need, the budgeted expenditures for the fiscal year 2013-2014 would have been a decrease.

**Business-Type Activities:** The budgeted expenditures for the Pool and Wellness Center are \$402,770, which represents a 1.99% decrease from the prior year. This decrease is primarily due to expected savings in utility costs.

**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. You can also call (828) 837-2130, visit our website <http://www.cherokee-county-nc.gov/> or send an email to [candy.roberts@cherokee-county-nc.gov](mailto:candy.roberts@cherokee-county-nc.gov) for more information.



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## **BASIC FINANCIAL STATEMENTS**

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## Cherokee County, North Carolina

## Statement of Net Position

June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Cherokee County Tourism Development Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,646,368	\$ 65,789	\$ 13,712,157	\$ 131,941
Restricted cash	673,412	-	673,412	-
Investments	4,261,026	-	4,261,026	-
Receivables (net)	4,309,632	5,522	4,315,154	-
Due from other governments	1,184,563	-	1,184,563	28,967
Inventories	57,614	-	57,614	-
Internal balances	-	-	-	-
Capital assets:				
Land, improvements, construction in progress	8,168,246	-	8,168,246	-
Other capital assets, net of depreciation	31,159,307	2,886,243	34,045,550	-
Total capital assets	39,327,553	2,886,243	42,213,796	-
Total assets	63,460,168	2,957,554	66,417,722	160,908
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	3,072,618	16,452	3,089,070	15,000
Unearned revenue	-	30,600	-	-
Accrued interest payable	162,847	31,702	194,549	-
Long-term liabilities:				
Due within one year	2,430,840	12,509	2,443,349	-
Due in more than one year	26,917,220	935,657	27,852,877	-
Total liabilities	32,583,525	1,026,920	33,610,445	15,000
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenue	192,883	-	192,883	-
Total deferred inflows of resources	192,883	-	192,883	-
<b>NET POSITION</b>				
Net investment in capital assets	25,693,770	1,941,737	27,635,507	-
Restricted for:				
Capital projects	266,779	-	266,779	-
Debt service	4,029,652	-	4,029,652	-
Transportation	1	-	1	-
Public safety	275,553	-	275,553	-
Economic development	5,166	-	5,166	-
Cultural and recreation	-	-	-	-
Education	-	-	-	-
Register of Deeds	-	-	-	-
Stabilization by State Statute	4,459,628	-	4,459,628	28,967
Human Services	41,839	-	41,839	-
Unrestricted (deficit)	(4,088,628)	(11,103)	(4,099,731)	116,941
Total net position	\$ 30,683,760	\$ 1,930,634	\$ 32,614,394	\$ 145,908

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, 2013**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
<b>Primary government:</b>			
Governmental Activities:			
General government	\$ 3,384,915	\$ 481,913	\$ 450
Public safety	10,628,742	2,378,378	510,782
Transportation	1,624,372	562,198	378,981
Economic and physical development	1,080,455	-	10,150
Environmental Protection	1,453,708	308,437	1,345,717
Human services	9,152,643	848,798	5,658,386
Cultural and recreation	797,337	-	-
Education	6,196,711	-	187,134
Interest on long-term debt	427,233	-	-
Total governmental activities	<u>34,746,116</u>	<u>4,579,724</u>	<u>8,091,600</u>
<b>Business-type activities:</b>			
Pool and Wellness Center	529,649	359,330	-
Total primary government	<u>\$ 35,275,765</u>	<u>\$ 4,939,054</u>	<u>\$ 8,091,600</u>
<b>Component unit:</b>			
Tourism Development Authority	<u>\$ 108,957</u>	<u>\$ -</u>	<u>\$ -</u>

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

Total general revenues excluding transfers

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning as previously reported

Prior period adjustment

Net position, beginning as restated

Net position, ending

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

<b>Net (Expense) Revenue and Changes in Net Position</b>				
<b>Capital Grants and Contributions</b>	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business -type Activities</b>	<b>Total</b>	<b>Cherokee County Tourism Development Authority</b>
\$ -	\$ (2,902,552)	\$ -	\$ (2,902,552)	
-	(7,739,582)	-	(7,739,582)	
253,712	(429,481)	-	(429,481)	
52,042	(1,018,263)	-	(1,018,263)	
25,687	226,133	-	226,133	
582,758	(2,062,701)	-	(2,062,701)	
-	(797,337)	-	(797,337)	
290,137	(5,719,440)	-	(5,719,440)	
-	(427,233)	-	(427,233)	
<u>1,204,336</u>	<u>(20,870,456)</u>	<u>-</u>	<u>(20,870,456)</u>	
			-	
-	-	(170,319)	(170,319)	
<u>\$ 1,204,336</u>	<u>(20,870,456)</u>	<u>(170,319)</u>	<u>(21,040,775)</u>	
				<u>\$ (108,957)</u>
	17,776,840	-	17,776,840	-
	4,925,750	-	4,925,750	-
	472,984	-	472,984	157,054
	1,308,417	-	1,308,417	-
	150,539	2	150,541	-
	29,865	-	29,865	-
	<u>24,664,395</u>	<u>2</u>	<u>24,664,397</u>	<u>157,054</u>
	(94,545)	94,545	-	-
	<u>24,569,850</u>	<u>94,547</u>	<u>24,664,397</u>	<u>157,054</u>
	3,699,394	(75,772)	3,623,622	48,097
	27,068,264	2,006,406	29,074,670	97,811
	(83,898)	-	(83,898)	-
	<u>26,984,366</u>	<u>2,006,406</u>	<u>28,990,772</u>	<u>97,811</u>
	<u>\$ 30,683,760</u>	<u>\$ 1,930,634</u>	<u>\$ 32,614,394</u>	<u>\$ 145,908</u>

**Cherokee County, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	Major			Non-Major	Total Governmental Funds
	General	Debt Service	Courthouse Project Fund	Total Non-Major Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 13,326,401	\$ -	\$ -	\$ 319,967	\$ 13,646,368
Restricted Cash	292,831	872	298,316	81,393	673,412
Investments	232,246	4,028,780	-	-	4,261,026
Receivables, net					
Taxes	1,296,313	-	-	158,337	1,454,650
Accounts	2,133,467	-	445	629,978	2,763,890
Due from other governments	1,184,563	-	-	-	1,184,563
Due from other funds	511,175	-	-	-	511,175
Inventories	57,614	-	-	-	57,614
Total assets	<u>\$ 19,034,610</u>	<u>\$ 4,029,652</u>	<u>\$ 298,761</u>	<u>\$ 1,189,675</u>	<u>\$ 24,552,698</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,872,495	\$ -	\$ 31,537	\$ 168,586	\$ 3,072,618
Due to other funds	-	-	-	511,175	511,175
Total liabilities	<u>2,872,495</u>	<u>-</u>	<u>31,537</u>	<u>679,761</u>	<u>3,583,793</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes receivable	1,296,313	-	-	158,337	1,454,650
Unearned revenue	192,883	-	-	-	192,883
Total deferred inflows of resources	<u>1,489,196</u>	<u>-</u>	<u>-</u>	<u>158,337</u>	<u>1,647,533</u>
Fund balances:					
Nonspendable:					
Inventories	57,614	-	-	-	57,614
Restricted:					
Stabilization by State Statute	3,829,205	-	445	629,978	4,459,628
Public safety	-	-	-	275,553	275,553
Transportation	-	-	-	(330,871)	(330,871)
Economic and physical development	-	-	-	5,166	5,166
Human services	-	-	-	(221,049)	(221,049)
Debt service	-	4,029,652	-	-	4,029,652
General government - capital outlay	-	-	266,779	-	266,779
Committed:					
Tax revaluation	292,341	-	-	-	292,341
School capital outlay	1,079,153	-	-	-	1,079,153
Law enforcement	122,878	-	-	-	122,878
Assigned:					
Subsequent year's expenditures	-	-	-	-	-
Unassigned:	9,291,728	-	-	(7,200)	9,284,528
Total fund balances	<u>14,672,919</u>	<u>4,029,652</u>	<u>267,224</u>	<u>351,577</u>	<u>19,321,372</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,034,610</u>	<u>\$ 4,029,652</u>	<u>\$ 298,761</u>	<u>\$ 1,189,675</u>	<u>\$ 24,552,698</u>

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

**Cherokee County, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

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

Total Fund Balances for Governmental Funds	\$ 19,321,372
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	39,327,553
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	91,092
Deferred inflows of resources for taxes and special assessments receivable	1,454,650
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.	(29,510,907)
Net position of governmental activities	<u><u>\$ 30,683,760</u></u>

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

**Cherokee County, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2013**

	Major			Non-Major	Total Governmental Funds
	General Fund	Debt Service	Courthouse Project Fund	Total Non-Major Funds	
<b>REVENUES</b>					
Ad valorem taxes	\$ 16,120,090	\$ -	\$ -	\$ 1,778,838	\$ 17,898,928
Local option sales tax	4,925,750	-	-	-	4,925,750
Other taxes and licenses	472,984	-	-	-	472,984
Unrestricted intergovernmental	1,308,417	-	-	-	1,308,417
Restricted intergovernmental	6,802,981	-	-	1,208,588	8,011,569
Permits and fees	1,843,928	-	-	-	1,843,928
Sales and services	4,020,163	-	-	-	4,020,163
Investment earnings	15,428	131,080	293	262	147,063
Miscellaneous	173,974	-	-	-	173,974
Total revenues	<u>35,683,715</u>	<u>131,080</u>	<u>293</u>	<u>2,987,688</u>	<u>38,802,776</u>
<b>EXPENDITURES</b>					
Current:					
General government	3,148,245	-	-	293,463	3,441,708
Public safety	8,683,528	-	-	1,676,493	10,360,021
Transportation	930,846	-	-	365,051	1,295,897
Environmental protection	1,226,283	-	-	-	1,226,283
Economic and physical development	619,954	-	-	46,876	666,830
Human services	9,020,549	-	-	625,994	9,646,543
Cultural and recreational	559,887	-	-	-	559,887
Intergovernmental:					
Education	6,161,356	-	-	-	6,161,356
Capital outlay	-	-	955,683	-	955,683
Debt service:					
Principal	2,439,075	-	-	-	2,439,075
Interest	484,842	-	-	-	484,842
Total expenditures	<u>33,274,565</u>	<u>-</u>	<u>955,683</u>	<u>3,007,877</u>	<u>37,238,125</u>
Revenues over (under) expenditures	<u>2,409,150</u>	<u>131,080</u>	<u>(955,390)</u>	<u>(20,189)</u>	<u>1,564,651</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	-	383,561	-	46,680	430,241
Transfers to other funds	(524,786)	-	-	-	(524,786)
Total other financing sources (uses)	<u>(524,786)</u>	<u>383,561</u>	<u>-</u>	<u>46,680</u>	<u>(94,545)</u>
Net change in fund balance	1,884,364	514,641	(955,390)	26,491	1,470,106
Fund balance, beginning as previously reported	12,806,638	3,515,011	1,222,614	325,086	17,869,349
Prior period adjustment	(18,083)	-	-	-	(18,083)
Fund balance, beginning as restated	<u>12,788,555</u>	<u>3,515,011</u>	<u>1,222,614</u>	<u>325,086</u>	<u>17,851,266</u>
Fund balances, ending	<u>\$ 14,672,919</u>	<u>\$ 4,029,652</u>	<u>\$ 267,224</u>	<u>\$ 351,577</u>	<u>\$ 19,321,372</u>

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

**Cherokee County, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2013**

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

Net changes in fund balances - total governmental funds	\$	1,470,106
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		2,134,622
Depreciation		(1,777,497)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis		(144,109)
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		(7,365)
(Increase) Decrease in accrued investment earnings		3,476
(Increase) Decrease in accrued interest payable		57,609
Increase (Decrease) in deferred tax revenue		(114,723)
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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds from long-term debt		-
Debt service repayments		2,439,075
Increase in loan issuance cost		-
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		(22,278)
Increase in accrued landfill closure costs		(139,847)
Increase in accrued other employment benefits		(178,698)
Increase in Accrued pension cost		(20,977)
Total changes in net position of governmental activities	\$	<u><u>3,699,394</u></u>

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



**Cherokee County, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund and Annually Budgeted Major Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2013**

	General Fund			Variance with Final Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Ad valorem taxes	\$ 15,505,421	\$ 15,505,421	\$ 16,120,090	\$ 614,669
Local option sales tax	4,791,500	4,792,910	4,925,750	132,840
Other taxes and licenses	435,800	485,800	472,984	(12,816)
Unrestricted intergovernmental	1,220,000	1,220,000	1,308,417	88,417
Restricted intergovernmental	5,951,708	6,471,183	6,802,981	331,798
Permits and fees	1,775,800	1,776,790	1,843,928	67,138
Sales and services	3,961,236	3,963,716	4,020,163	56,447
Investment earnings	20,100	20,100	15,195	(4,905)
Miscellaneous	116,767	121,460	173,974	52,514
Total revenues	<u>33,778,332</u>	<u>34,357,380</u>	<u>35,683,482</u>	<u>1,326,102</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,403,690	3,345,314	3,132,711	212,603
Public safety	8,660,143	8,942,107	8,683,528	258,579
Transportation	1,124,167	1,124,167	930,846	193,321
Environmental protection	1,449,937	1,480,762	1,226,283	254,479
Economic and physical development	574,841	649,281	619,954	29,327
Human services	8,891,461	9,084,998	9,020,549	64,449
Cultural and recreational	558,958	594,133	559,887	34,246
Education	5,716,950	6,220,911	6,161,356	59,555
Debt service:				
Principal retirement	2,324,062	2,439,080	2,439,075	5
Interest and fees	502,104	503,948	484,842	19,106
Total expenditures	<u>33,206,313</u>	<u>34,384,701</u>	<u>33,259,031</u>	<u>1,125,670</u>
Revenues over (under) expenditures	<u>572,019</u>	<u>(27,321)</u>	<u>2,424,451</u>	<u>2,451,772</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	458,562	458,562	-	(458,562)
Transfers to other funds	(527,562)	(620,372)	(599,786)	20,586
Total other financing sources (uses)	<u>(69,000)</u>	<u>(161,810)</u>	<u>(599,786)</u>	<u>(437,976)</u>
Fund balance appropriated / (additions)	(503,019)	189,131	-	(189,131)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,824,665	<u>\$ 1,824,665</u>
Fund balance, beginning as previously reported			12,573,996	
Prior period adjustment			(18,083)	
Fund balance, beginning as restated			<u>12,555,913</u>	
Fund balance, ending			<u>\$ 14,380,578</u>	
A legally budgeted Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			233	
Transfer in from General Fund			75,000	
Expenditures			(15,534)	
Fund Balance, Beginning			232,642	
Fund Balance, Ending (Exhibit 4)			<u>\$ 14,672,919</u>	

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

<b>Debt Service Fund</b>			
<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Positive (Negative)</b>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
75,000	75,000	131,080	56,080
-	-	-	-
<u>75,000</u>	<u>75,000</u>	<u>131,080</u>	<u>56,080</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>75,000</u>	<u>75,000</u>	<u>131,080</u>	<u>56,080</u>
383,562	383,562	383,561	(1)
-	-	-	-
<u>383,562</u>	<u>383,562</u>	<u>383,561</u>	<u>(1)</u>
(458,562)	(458,562)	-	458,562
<u>\$ -</u>	<u>\$ -</u>	514,641	<u>\$ 514,641</u>
		3,515,011	
		-	
		<u>3,515,011</u>	
		<u>\$ 4,029,652</u>	

**Cherokee County, North Carolina**  
**Statement of Net Position - Proprietary Fund**  
**Pool and Wellness Center**  
**June 30, 2013**

**ASSETS**

## Current assets:

Cash and cash equivalents	\$ 65,789
Receivables, net	5,522
Total current assets	<u>71,311</u>

## Noncurrent assets:

## Capital assets:

Other capital assets, net of depreciation	2,886,243
Total noncurrent assets	<u>2,886,243</u>

Total assets	<u>2,957,554</u>
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**LIABILITIES**

## Current liabilities:

Accounts payable	7,237
Accrued wages	9,215
Unearned membership fees	30,600
Accrued interest payable	31,702
Current portion of long term debt	12,509
Total current liabilities	<u>91,263</u>

## Noncurrent liabilities:

Long term debt (less current portion)	931,997
Compensated absences	3,660
Total noncurrent liabilities	<u>935,657</u>

Total liabilities	<u>1,026,920</u>
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**DEFERRED INFLOWS OF RESOURCES**

Total deferred inflows of resources	<u>-</u>
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**NET POSITION**

Net investment in capital assets	1,941,737
Unrestricted	(11,103)
Total net position	<u>\$ 1,930,634</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 Net Position - Proprietary Fund**  
**Pool and Wellness Center**  
**For the Year Ended June 30, 2013**

<b>OPERATING REVENUES</b>	
Membership & fees	\$ 359,330
Total operating revenues	<u>359,330</u>
<b>OPERATING EXPENSES</b>	
Salaries & employee benefits	236,850
Supplies	23,648
Travel	2,969
Utilities	82,743
Advertising	3,104
Maintenance	10,113
Other	30,920
Depreciation	100,269
Interest	39,033
Total operating expenses	<u>529,649</u>
Operating income (loss)	<u>(170,319)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest revenue	<u>2</u>
Total nonoperating expenses	<u>2</u>
Income (loss) before contributions and transfers	(170,317)
Capital contributions	-
Transfers from other funds	<u>94,545</u>
Change in net position	(75,772)
Total net position, beginning	<u>2,006,406</u>
Total net position, ending	<u>\$ 1,930,634</u>

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

**Cherokee County, North Carolina**  
**Statement of Cash Flows - Proprietary Fund**  
**Pool and Wellness Center**  
**For The Fiscal Year Ended June 30, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers	\$ 361,803
Cash paid for goods and services	(197,847)
Cash paid to employees for services	(238,672)
Customer deposits received	(4,092)
Net cash used by operating activities	<u>(78,808)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Decrease in amount due to General Fund	(4,229)
Transfers from other funds	94,545
Net cash provided (used) by noncapital financing activities	<u>90,316</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Acquisition and construction of capital assets	-
Principal paid on bond maturities and equipment contracts	(12,014)
Capital contributions	-
Net cash provided (used) by capital and related financing activities	<u>(12,014)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest and dividends received	2
Purchase of investments	-
Proceeds from the sale or maturity of investments	-
Net cash provided (used) by investing activities	<u>2</u>

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:**

(504)

Cash and cash equivalents, beginning	<u>66,293</u>
Cash and cash equivalents, ending	<u>\$ 65,789</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income (loss)	<u>\$ (170,319)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	100,269
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(3,049)
Increase (decrease) in accounts payable and accrued liabilities	(1,349)
Increase (decrease) in customer deposits	(4,092)
Increase (decrease) in compensated absences payable	(268)
Total adjustments	<u>91,511</u>
Net cash provided (used) by operating activities	<u>\$ (78,808)</u>

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

**Cherokee County, North Carolina**  
**Statement of Fiduciary Net Position**  
**For The Fiscal Year Ended June 30, 2013**

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	Agency Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 136,544
<b>LIABILITIES AND NET POSITION</b>	
Liabilities:	
Miscellaneous liabilities	130,232
Intergovernmental payables - State of North Carolina	6,312
Total liabilities	136,544
Net position:	\$ -

*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, 2013

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# Cherokee County, North Carolina

## Notes to the Financial Statements

For the Year Ended June 30, 2013

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# Cherokee County, North Carolina

## Notes to the Financial Statements

For the Year Ended June 30, 2013

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### **I. Summary of Significant Accounting Policies**

The accounting policies of Cherokee County and its component unit 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 five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component unit, a legally separate entity for which the County is financially accountable. The discretely presented component unit is reported in a separate column of the County's financial statements in order to emphasize that they are legally separate from the County.

#### **Discretely Presented Component Units**

Cherokee County Tourism Development Authority - The Cherokee County Tourism Development Authority (the "Authority") was created to promote activities and programs which encourage travel and tourism the area. The Authority is governed by a seven-member board of directors, all of whom are appointed by the Cherokee County Board of Commissioners. The County can remove any board member of the Authority with cause. The Authority, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the Authority may be obtained from the entity's administrative offices at 75 Peachtree Street, Suite 211, Murphy, NC 28906.

#### **B. Basis of Presentation, Basis of Accounting**

##### **Basis of Presentation, Measurement Focus – Basis of Accounting**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government net position (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:

*Sheriff's fund* - which accounts for funds collected by the sheriff as an agent and for funds held for prisoners of the county detention facility.

*Social Services Fund* - which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals.

*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.

*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.

*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 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.

*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.

*Housing Preservation Grant Fund* - This fund is established to account for the Grant to repair or rehabilitate low and very low-income housing. For the fiscal year ended June 30, 2013, the fund had no financial transactions to report.

*Capital Project Funds:*

*School Improvement Fund* – This fund is used to account for the construction of new school facilities. For the fiscal year ended June 30, 2013, the fund had no financial transactions or account balances to report.

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

*Capital Reserve Fund* - This fund is used for the purchase of the Cornerstone Building. For the fiscal year ended June 30, 2013, the fund had no financial transactions to report.

*Health Department Renovation and Expansion Capital Project* – This fund is used to account for the renovations, expansion and the purchase of a mobile unit for the Andrews Health Center.

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

**Measurement Focus, Basis of Accounting**

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Cherokee County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements and are offset by deferred inflows of resources.

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 position 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.

**C. Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the following funds: the General Fund, Revaluation Fund, Debt Service Fund, Emergency Telephone Fund, Fire District Fund, Bear Paw Service, and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Project Funds, which are presented with the Capital Projects and lapse at the end of each respective project.

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, Deferred Inflows and Outflows, 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**

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 classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. Money in the Scattered Sites Housing Fund and the Health Department Renovation and Expansion Capital Project Fund is also classified as restricted assets because its use is restricted by revenue source for specific expenditures i.e., economic and physical development and human services.

**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, 2012.

**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. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has one item that meets this criterion - a charge on refunding that had previously been classified as an asset. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has only one item that meets the criterion for this category - prepaid taxes.

**9. Long-Term Obligations**

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

**10. 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 and proprietary fund, 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.

**11. Net Position/Fund Balances****Net Position**

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either 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 types classify fund balances as follows:

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

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 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.

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.

**11. Net Position/Fund Balances (continued)**

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.

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.

**12. Estimates**

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

**13. Prior Period Adjustment**

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

*Fund Balance:* The fund balance of the General Fund was overstated at June 30, 2012 in the amount of \$18,083 due to expenditures paid by the General Fund for the Sheriff's Federal Methamphetamine Grant that were deemed ineligible for reimbursement.

General Fund balance, beginning as previously reported	\$ 12,573,996
Ineligible expenditures made in the prior fiscal year	<u>(18,083)</u>
Net prior period adjustment	<u>(18,083)</u>
General Fund balance, beginning as restated	<u>\$ 12,555,913</u>

*Governmental Activities:* Due to a software conversion in a prior year it was discovered that beginning net capital assets on the Government-Wide statements were understated by \$9,414. In addition, net pension obligation was overstated by \$2,421. Previously deferred debt issuance costs totaling \$77,650, which were previously deferred and amortized, were recognized as an expenditure in the current year due to the implementation of GASB Statement 65.

Governmental Activities Net position, beginning as previously reported	\$ 27,068,264
Fund balance restatement	(18,083)
Net capital asset restatement	9,414
Net pension obligation restatement	2,421
Deferred charge issuance cost restatement	<u>(77,650)</u>
Net prior period adjustment	<u>(83,898)</u>
Governmental Activities Net position, beginning as restated	<u>\$ 26,984,366</u>

**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 position.**

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. The net adjustment of \$11,362,388 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)	\$ 54,831,409
Less accumulated depreciation	(15,503,856)
Net capital assets	<u>39,327,553</u>
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	91,092
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide	1,454,650
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	(24,457,392)
Compensated absences	(586,720)
Other postemployment benefits	(858,045)
Landfill closure costs	(3,253,564)
Pension benefit obligation	(192,339)
Accrued interest payable	(162,847)
Total adjustment	<u>\$ 11,362,388</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 position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$2,229,288 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 2,134,622
Cost of disposed capital asset not recorded in fund statements	(144,109)
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	(1,777,497)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	2,439,075
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	57,609
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(22,278)
Other postemployment benefits	(178,698)
Pension benefits	(20,977)
Landfill closure cost	(139,847)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	3,476
Increase in deferred inflows of resources - taxes receivable - at end of year	(114,723)
Increase in accrued taxes receivable at end of year	(7,365)
Total adjustment	<u>\$ 2,229,288</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, 2013, Cherokee County reported that the following expenditures exceeded the amounts appropriated in the budget ordinance.

Function	Budget	Expenditures	Variance
General Fund			
Human Services			
Social services	5,889,813	6,047,498	(157,685)
Public Safety			
Ambulance service	2,239,253	2,247,144	(7,891)
Emergency Telephone System Fund			
Public Safety	120,600	191,118	(70,518)

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, 2013, the County's deposits had a carrying amount of \$14,519,138 and a bank balance of \$14,983,341. Also, at June 30, 2013, the deposits of the Tourism Development Authority, a component unit of the County, had a carrying value of \$131,941 and a bank balance of \$137,822. At June 30, 2013, the cash belonging to this component unit was held under the federal identification number of the County. Therefore, the bank balances of Cherokee County and the Cherokee County Tourism Development Authority must be combined in order to determine the amount covered by federal depository insurance at the end of the current fiscal year. Of the \$15,121,163 combined bank balance, \$369,914 was covered by federal depository insurance, and \$14,751,249 in deposits was covered by collateral held under the Pooling Method.

At June 30, 2013, Cherokee County had \$2,975 cash on hand.

**2. Investments**

At June 30, 2013, the County's investment balances were as follows:

Investment Type	Cost	Less Than 6 Months
Commercial Paper	\$ 2,165,224	\$ 2,165,224
FHLB Discount Note	1,862,851	1,862,851
NC Capital Management Trust:		
Cash Portfolio	232,951	N/A
Total:	\$ 4,261,026	\$ 4,028,075

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

**2. Investments (continued)**

*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, 2013, 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, 2013. 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 \$2,165,224 investment in commercial paper and \$1,862,851 investment in FHLB are uninsured and unregistered investments 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 51% and 44% 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.

<b>Year Levied</b>	<b>Tax</b>	<b>Interest</b>	<b>Total</b>
2009	\$ 780,883	\$ 191,316	\$ 972,199
2010	772,960	119,809	892,769
2011	789,405	51,311	840,716
2012	642,657	-	642,657
Total	<u>\$ 2,985,905</u>	<u>\$ 362,436</u>	<u>\$ 3,348,341</u>

**4. Receivables**

Receivables at the government-wide level at June 30, 2013, were as follows:

	<b>Accounts Receivable</b>	<b>Taxes Receivable</b>	<b>Interest Receivable</b>	<b>Special Assessments</b>	<b>Total</b>
Governmental Activities:					
General	\$ 2,187,641	\$ 1,697,586	\$ 91,092	\$ -	\$ 3,976,319
Other governmental	630,423	158,337	-	-	788,760
Total receivables	2,818,064	1,855,923	91,092	-	4,765,079
Allowance for doubtful accounts	(54,174)	(401,273)	-	-	(455,447)
Total-governmental activities	<u>\$ 2,763,890</u>	<u>\$ 1,454,650</u>	<u>\$ 91,092</u>	<u>\$ -</u>	<u>\$ 4,309,632</u>
Business-type Activities:					
Pool and Wellness Center	\$ 5,522	\$ -	\$ -	\$ -	\$ 5,522
Total-business-type activities	<u>\$ 5,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,522</u>

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

Local Government Sales and Use Taxes	<u>\$ 1,184,563</u>
Total	<u>\$ 1,184,563</u>

**5. Capital Assets****Primary Government**

Capital assets activity for the year ended June 30, 2013, was as follows:

	Beginning Balances as Restated	Increases	Transfers	Decreases	Ending Balances
Governmental Activities:					
Capital assets not being depreciated					
Land	\$ 6,700,183	\$ -	\$ -	\$ -	\$ 6,700,183
Construction in progress	9,501,042	1,797,713	(9,830,692)	-	1,468,063
Total capital assets not being depreciated	16,201,225	1,797,713	(9,830,692)	-	8,168,246
Capital assets being depreciated					
Land improvements	28,238	-	-	-	28,238
Buildings	17,468,561	-	8,586,463	15,750	26,039,274
Other improvements	12,116,539	92,116	1,244,229	273,187	13,179,697
Equipment	1,729,631	133,053	-	238,624	1,624,060
Software	1,192,559	-	-	664,085	528,474
Computers & electronic equipment	2,465,334	20,896	-	883,032	1,603,198
Vehicles & motorized equipment	4,149,742	90,844	-	580,364	3,660,222
Total capital assets being depreciated	39,150,604	336,909	9,830,692	2,655,042	46,663,163
Less accumulated depreciation for:					
Land Improvements	118	1,412	-	-	1,530
Buildings	4,004,175	421,315	-	10,710	4,414,780
Other improvements	4,953,329	519,002	-	145,545	5,326,786
Equipment	1,018,565	131,067	-	233,177	916,455
Software	1,030,065	86,105	-	664,085	452,085
Computers & other electronic equipment	2,063,487	163,197	-	877,052	1,349,632
Vehicles & motorized equipment	3,167,553	455,399	-	580,364	3,042,588
Total accumulated depreciation	16,237,292	1,777,497	-	2,510,933	15,503,856
Total capital assets being depreciated, net	22,913,312				31,159,307
Governmental activities capital assets, net	\$ 39,114,537				\$ 39,327,553

During the fiscal year ended June 30, 2013, the Director of Finance conducted a thorough review of the County's capital asset detail. At that time it was discovered that there were assets on the detail which were either non-operational or no longer in the County's possession. The adjustment to arrive at a more accurate capital asset listing resulted in the majority of the current fiscal year decreases to capital assets.

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

General government	\$ 225,181
Public safety	688,052
Transportation	443,806
Economic and physical development	26,373
Human services	86,498
Environmental protection	272,232
Cultural and recreational	35,355
Total depreciation expense	\$ 1,777,497

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Business-type activities:					
Capital assets being depreciated					
Buildings	\$ 3,087,019	\$ -	\$ -	\$ -	\$ 3,087,019
Other improvements	270,231	-	-	-	270,231
Equipment	119,618	-	-	-	119,618
Computers & other electronic equipment	7,613	-	-	-	7,613
Total capital assets being depreciated	3,484,481	-	-	-	3,484,481
Less accumulated depreciation for:					
Buildings	311,370	61,740	-	-	373,110
Other improvements	116,867	26,567	-	-	143,434
Equipment	62,119	11,962	-	-	74,081
Computers & other electronic equipment	7,613	-	-	-	7,613
Total accumulated depreciation	497,969	100,269	-	-	598,238
Total capital assets being depreciated, net	2,986,512				2,886,243
Business type capital assets, net	\$ 2,986,512				\$ 2,886,243

### Construction commitments

The County has the following active construction commitments with contractors at June 30, 2013:

Project	Spent-to-date	Remaining Commitment
Health Department	\$ 11,000	\$ 539,392
Airport Improvements	202,445	928,672
Total	\$ 213,445	\$ 1,468,064

## B. Liabilities

### 1. Payables

Payables at the government-wide level at June 30, 2013, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 515,171	\$ 2,357,324	\$ 2,872,495
Other governmental	168,586	31,537	200,123
Total governmental activities	\$ 683,757	\$ 2,388,861	\$ 3,072,618
Business-type Activities:			
Pool and Wellness Center	\$ 7,080	\$ 9,372	\$ 16,452
Total business-type activities	\$ 7,080	\$ 9,372	\$ 16,452

### 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.

**2. Pension Plan and Other Postemployment Obligations (continued)**

*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 6.74% and 6.77%, 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, 2013, 2012, and 2011 were \$686,444, \$691,583, and \$644,084, 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, 2012, 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>31</u>
Total	<u><u>32</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, 2013 was determined as part of the December 31, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.0%. 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, 2012 was 18 years.

Employer annual required contribution	\$ 30,835
Interest on net pension obligation	8,568
Adjustment to annual required contribution	<u>(10,664)</u>
Annual pension cost	28,739
Employer contributions made for fiscal year ending June 30, 2012	<u>(7,762)</u>
Increase in net pension obligation	20,977
Net pension obligation at beginning of year	<u>171,362</u>
Pension obligation at end of fiscal year	<u><u>\$ 192,339</u></u>

**2. Pension Plan and Other Postemployment Obligations (continued)**  
**b. Law Enforcement Officers' Special Separation Allowance (continued)**

For Year Ended June 30	3 Year Trend Information		
	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
6/30/2011	\$ 35,541	21.84%	\$ 149,734
6/30/2012	\$ 31,811	24.40%	\$ 173,783
6/30/2013	\$ 28,739	27.01%	\$ 192,339

**4. Funded Status and Funding Progress**

As of December 31, 2012, 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 \$190,594 as of 12/31/2012. The covered payroll (annual payroll of active employees covered by the plan) was \$1,135,755, and the ratio of the UAAL to the covered payroll was 16.78 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, 2013 were \$70,144, which consisted of \$55,222 from the County and \$14,922 from the law enforcement officers.

**d. Registers of Deeds' Supplemental Pension Fund**

*Plan Description.* Cherokee County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, 2013, the County's required and actual contributions were \$3,386.

**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 six retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2013, the County paid \$42,780 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, 2012, the date of the latest actuarial valuation:

	General Employees	Law Enforcement
Retirees and dependents receiving benefits	5	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	222	26
Total	227	26

*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 1.88% of annual covered payroll. For the current year, the County contributed \$42,780 or .48% 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. 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	\$ 204,836
Interest on net OPEB obligation	27,174
Adjustment to annual required contribution	(25,959)
Annual OPEB cost (expense)	206,051
Contributions made	(27,353)
Increase (decrease) in net OPEB obligation	178,698
Net OPEB obligation, beginning of year	679,347
Net OPEB obligation, end of year	\$ 858,045

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2013 were as follows:

**2. Pension Plan and Other Postemployment Obligations (continued)****e. Other Postemployment Benefit (continued)**

3 Year Trend Information			
For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 199,579	28.96%	\$ 679,907
6/30/2012	\$ 205,250	31.10%	\$ 679,347
6/30/2013	\$ 206,051	13.30%	\$ 858,045

*Funded Status and Funding Progress.* As of December 31, 2012, 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 \$1,675,909. The covered payroll (annual payroll of active employees covered by the plan) was \$8,842,895, and the ratio of UAAL to the covered payroll was 18.9 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, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% 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 8.5% to 5% annually. The investment rate included a 3% 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, 2012, 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, 2013, the County made no contributions to the State for death benefits. 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, 2013, the County made contributions for death benefits of \$7,810.



**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 Facility**

State and federal laws and regulations require the County to place a final cover on its Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3,253,564 as landfill closure and post closure care liability at June 30, 2013 represents a cumulative amount reported to-date based on the use of 93.90 percent of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post closure care of \$178,387 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 Outflows and Inflows of Resources**

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Taxes receivable, net (General), less penalties	\$ 1,296,313	\$ -
Taxes receivable, net (Special Revenue)	158,337	-
Prepaid taxes not yet earned (General)	-	192,883
Total	<u>\$ 1,454,650</u>	<u>\$ 192,883</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 \$58,801,400 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 employer's liability of \$2,000,000 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 \$2,044,010.

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 is individually bonded for \$100,000 as well. The employees in the tax collector's office are bonded for \$10,000 each. The Register of Deeds is bonded for \$10,000. The Sheriff is bonded for \$25,000. 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, 2013, the County was a defendant in a lawsuit. In the opinion of the County's management and the County attorney, the ultimate effect of this legal matter 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, 2013 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, 2013</u>
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.	\$ 1,260,000
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.	979,539
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.	73,744
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.	524,999
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.	367,580
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.	59,079
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.	240,000
Refinanced installment purchase of Detention Center and Sheriff's Office in the amount of \$5,700,000, 18 semi-annual payments of \$316,666.67 plus interest at an annual rate of 1.99% through April 10, 2021, issued April 1, 2012.	5,066,667
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.	6,853,375

**7. Long-Term Obligations (continued)****a. Installment Purchase**

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.	1,053,868
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.	159,470
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.	1,069,071
	<u>\$ 24,457,392</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>\$ 944,506</u>
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The annual debt service requirements to maturity for the County are as follows:

	<b>Governmental Activities</b>	
	<u>Principal</u>	<u>Interest</u>
Year Ending June 30,		
2014	\$ 2,008,840	\$ 475,217
2015	2,010,817	421,547
2016	2,012,885	367,781
2017	5,216,573	314,432
2018	1,908,240	262,738
2019-2023	10,661,379	560,814
2024-2026	638,658	53,864
Total	<u>\$ 24,457,392</u>	<u>\$ 2,456,393</u>
	<b>Business-type Activities</b>	
	<u>Principal</u>	<u>Interest</u>
Year Ending June 30,		
2014	\$ 12,509	\$ 38,961
2015	13,025	38,445
2016	13,562	37,908
2017	14,122	37,348
2018	14,704	36,766
2019-2023	83,136	174,214
2024-2028	101,757	155,593
2029-2033	124,549	132,801
2034 and after	567,142	204,629
Total	<u>\$ 944,506</u>	<u>\$ 856,665</u>

**b. 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, 2013:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<b>Government Activities:</b>					
Installment purchases	\$ 26,896,467	\$ -	\$ 2,439,075	\$ 24,457,392	\$ 2,008,840
Landfill closure costs	3,113,717	139,847	-	3,253,564	-
Other Post employment benefits	679,347	206,051	(27,353)	858,045	-
Compensated absences	564,442	444,469	422,191	586,720	422,000
Pension benefit obligation	171,362	28,739	(7,762)	192,339	-
Total Government activities	\$ 31,425,335	\$ 819,106	\$ 2,826,151	\$ 29,348,060	\$ 2,430,840
<b>Business-type activities:</b>					
Installment purchases	\$ 956,520	\$ -	\$ 12,014	\$ 944,506	\$ 12,509
Compensated absences	3,928	1,670	1,938	3,660	-
Total Business-type activities	\$ 960,448	\$ 1,670	\$ 13,952	\$ 948,166	\$ 12,509

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, 2013, are computed as follows

Capital assets, net of accumulated depreciation	\$ 39,327,553
Less:	
Gross debt	24,457,392
School debt related to assets to which the County does not hold title	10,823,609
Net capital debt	13,633,783
Capital assets, net of related debt	<u>\$ 25,693,770</u>

**C. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2013, consist of the following:

Due to the General Fund from:

Housing Preservation Grant	\$ 7,200
Health Department Renovation and Expansion Capital Project	180,729
Airport Improvement	323,246
Total	<u>\$ 511,175</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, 2013, 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	7,126
From the General Fund to the Revaluation Fund to provide resources for the next property revaluation	75,000
From the General Fund to the Pool and Wellness Fund to provide operating support	94,545
From the General Fund to the Health Department Renovation and Expansion Capital Project for grant matching.	39,554
Total	<u>\$ 599,786</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.

**D. 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:

<b>Total Fund Balance - General Fund</b>	<b>\$ 14,672,919</b>
Less:	
Inventories	57,614
Stabilization by State Statute	3,829,205
Tax Revaluation	292,341
School Capital Outlay	1,079,153
Law Enforcement	122,878
Appropriated Fund Balance in 2014 budget	-
Working Capital/ Fund Balance Policy	9,291,728
Remaining Fund Balance	<b>\$ -</b>

Cherokee County has 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 greater than 8% of budgeted expenditures.

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

<b>Encumbrances</b>	<b>General Fund</b>
\$	-

**IV. Joint Ventures**

1. Nantahala Regional Library - The County participates in a joint venture to operate the Nantahala Regional Library with six other local governments. The three participating counties may each appoint three board members to the nine-member 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, 2013. 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 11 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, 2013. 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 \$18,027 to the Commission during the fiscal year ended June 30, 2013. The County was the sub recipient of a grant for \$239,063 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	\$ 58,820	\$ -
Medicaid	27,880,483	15,799,081
WIC	575,796	-
Food stamp program	6,635,228	-
Payments to elderly and disabled	-	257,155
Adoption assistance	182,054	48,198
Energy assistance	253,837	-
Title IV-E, foster care	186,686	49,538
Total	<u>\$ 35,772,904</u>	<u>\$ 16,153,972</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, 2013 and March 31, 2014, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

On November 1, 2013, Cherokee County paid off the loan for the Pool and Wellness Center in the amount of \$937,896. The payoff of this loan will save the County \$811,804 in interest expense.

Cherokee County passed a resolution to help the Cherokee County Board of Education renovate the Andrews High School Football Stadium for a cost of \$123,000 in fiscal year 2013-2014 and \$190,000 in fiscal year 2014-2015.

**IX. Change in Accounting Principles/Restatement**

The County implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously reported as Assets and Liabilities, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position.

## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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

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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 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)
12/31/2005	\$ -	\$ 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%
12/31/2011	-	184,290	184,290	-	1,174,227	15.69%
12/31/2012	-	190,594	190,594	-	1,135,755	16.78%

**Schedule of Employer Contributions**

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2010	22,309	34.79%
2011	35,541	21.84%
2012	31,811	24.40%
2013	30,835	27.01%

**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	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 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)
12/31/2009	-	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%
12/31/2011	-	1,816,407	1,816,407	0.00%	9,515,956	19.10%
12/31/2012	-	1,675,909	1,675,909	0.00%	8,842,895	19.00%

**Schedule of Employer Contributions**

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2011	199,579	28.96%
2012	205,250	28.96%
2013	204,836	31.10%

**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	12/31/2012
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	8.5% - 5.00%
Year of Ultimate trend rate	2018
*Includes inflation at	3.00%

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Combining and Individual Fund  
Statements and Schedules

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## **GENERAL FUND AND REVALUATION FUND**

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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.

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**Cherokee County, North Carolina**  
**General Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Ad valorem taxes:			
Current year taxes		\$ 15,868,357	
Penalties and interest		251,733	
Total	<u>\$ 15,505,421</u>	<u>16,120,090</u>	<u>\$ 614,669</u>
Local option sales taxes:			
Article 39 one percent		2,343,283	
Article 40 one-half of one percent		1,375,968	
Article 42 one-half of one percent		1,193,075	
Article 44 one-half of one percent		13,424	
Total	<u>4,792,910</u>	<u>4,925,750</u>	<u>132,840</u>
Other taxes and licenses:			
Register of Deeds - excise tax		193,563	
Car rental tax		4,934	
Local occupancy tax		164,125	
Solid Waste Disposal Tax		22,402	
Franchise Tax		66,088	
State and Federal Drug Tax		19,538	
Civil licenses		2,334	
Total	<u>485,800</u>	<u>472,984</u>	<u>(12,816)</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes		1,308,295	
Fuel tax reimbursements		122	
Total	<u>1,220,000</u>	<u>1,308,417</u>	<u>88,417</u>
Restricted intergovernmental:			
ABC bottle fees		9,963	
Court facility fees		32,801	
Criminal Justice grant		-	
Health Department grants		257,537	
Health Department state revenues		849,455	
Juvenile Crime Prevention		83,066	
Lottery proceeds		290,137	
Other grants		185,702	
Public School Building Capital Fund		-	
Transportation ROAP		117,389	
Senior Center		207,547	
Social Services		4,323,444	
Tire Disposal Tax Grant		61,350	
Transportation		197,456	
US Forest Service Timber		187,134	
Total	<u>6,471,183</u>	<u>6,802,981</u>	<u>331,798</u>

**Cherokee County, North Carolina**  
**General Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES (continued)</b>			
Permits and fees:			
Building permits		162,176	
Fire arm permits		33,360	
Fire inspections		4,360	
Landfill user fees		1,284,367	
Precious metal permits		1,155	
Register of deeds		225,734	
Water and septic permits		132,776	
Total	<u>1,776,790</u>	<u>1,843,928</u>	<u>67,138</u>
Sales and services:			
Ambulance fees		1,066,877	
Aviation gas sales		111,175	
Health Department fees		846,512	
Landfill tipping fees		175,662	
Jet fuel sales		80,510	
Other sales		64,171	
Personnel fees		86,221	
Rents, concessions, and fees		106,631	
Sheriff & jail fees		1,110,965	
Transportation fees		370,452	
Vehicle tax collection fees		987	
Total	<u>3,963,716</u>	<u>4,020,163</u>	<u>56,447</u>
Investment earnings	<u>20,100</u>	<u>15,195</u>	<u>(4,905)</u>
Miscellaneous:			
ABC Store Distributions		38,460	
Insurance proceeds		61,931	
Other		73,583	
Miscellaneous	<u>121,460</u>	<u>173,974</u>	<u>52,514</u>
Total revenues	<u>34,357,380</u>	<u>35,683,482</u>	<u>1,326,102</u>
<b>EXPENDITURES</b>			
General government:			
Governing body:			
Salaries and employee benefits		109,371	
Operating expenditures		73,756	
Total	<u>196,775</u>	<u>183,127</u>	<u>13,648</u>
Administration:			
Salaries and employee benefits		155,893	
Operating expenditures		9,666	
Total	<u>168,996</u>	<u>165,559</u>	<u>3,437</u>

**Cherokee County, North Carolina  
General Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General government (continued):			
Board of Elections:			
Salaries and employee benefits		187,140	
Operating expenditures		29,592	
Total	<u>223,772</u>	<u>216,732</u>	<u>7,040</u>
Information Technology:			
Salaries and employee benefits		148,342	
Operating expenditures		108,069	
Capital outlay		14,099	
Total	<u>271,858</u>	<u>270,510</u>	<u>1,348</u>
Finance:			
Salaries and employee benefits		270,815	
Operating expenditures		100,791	
Total	<u>380,254</u>	<u>371,606</u>	<u>8,648</u>
Tax assessor:			
Salaries and employee benefits		357,813	
Operating expenditures		93,266	
Total	<u>453,323</u>	<u>451,079</u>	<u>2,244</u>
Tax collector:			
Salaries and employee benefits		169,231	
Operating expenditures		44,785	
Total	<u>218,234</u>	<u>214,016</u>	<u>4,218</u>
Land records:			
Salaries and employee benefits		121,291	
Operating expenditures		26,542	
Total	<u>150,796</u>	<u>147,833</u>	<u>2,963</u>
Register of deeds:			
Salaries and employee benefits		154,599	
Operating expenditures		195,728	
Total	<u>351,269</u>	<u>350,327</u>	<u>942</u>
Public buildings:			
Salaries and employee benefits		208,479	
Operating expenditures		132,252	
Capital outlay		48,224	
Total	<u>425,425</u>	<u>388,955</u>	<u>36,470</u>
Court facilities:			
Operating expenditures		30,861	
Capital outlay		25,849	
Total	<u>64,743</u>	<u>56,710</u>	<u>8,033</u>

**Cherokee County, North Carolina  
General Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General government (continued):			
Central services:			
Salaries and employee benefits		88,426	
Operating expenditures		209,804	
Total	<u>317,671</u>	<u>298,230</u>	<u>19,441</u>
Special appropriations:			
Region A		18,027	
Total	<u>18,027</u>	<u>18,027</u>	<u>-</u>
Contingency	<u>104,171</u>	-	<u>104,171</u>
Total general government	<u>3,345,314</u>	<u>3,132,711</u>	<u>212,603</u>
Public safety:			
Sheriff department:			
Salaries and employee benefits		1,955,417	
Operating expenditures		446,072	
Capital outlay		27,902	
Total	<u>2,461,386</u>	<u>2,429,391</u>	<u>31,995</u>
Jail:			
Salaries and employee benefits		1,639,651	
Operating expenditures		1,007,692	
Capital outlay		24,119	
Total	<u>2,723,374</u>	<u>2,671,462</u>	<u>51,912</u>
Ambulance service:			
Salaries and employee benefits		1,837,097	
Operating expenditures		410,047	
Capital outlay		-	
Total	<u>2,239,253</u>	<u>2,247,144</u>	<u>(7,891)</u>
911 addressing:			
Salaries and employee benefits		27,231	
Operating expenditures		8,828	
Total	<u>124,610</u>	<u>36,059</u>	<u>88,551</u>
Emergency communications:			
Salaries and employee benefits		476,332	
Operating expenditures		18,132	
Total	<u>515,152</u>	<u>494,464</u>	<u>20,688</u>
Emergency management:			
Salaries and employee benefits		83,463	
Operating expenditures		68,500	
Total	<u>174,210</u>	<u>151,963</u>	<u>22,247</u>

**Cherokee County, North Carolina  
General Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety (continued):			
Building inspector:			
Salaries and employee benefits		204,853	
Operating expenditures		15,421	
Total	<u>223,368</u>	<u>220,274</u>	<u>3,094</u>
Fire inspections:			
Salaries and employee benefits		130,337	
Operating expenditures		74,808	
Capital outlay		6,797	
Total	<u>234,749</u>	<u>211,942</u>	<u>22,807</u>
Medical examiner:			
Operating expenditures		16,800	
Total	<u>20,000</u>	<u>16,800</u>	<u>3,200</u>
Animal control:			
Operating expenditures		30,900	
Total	<u>40,000</u>	<u>30,900</u>	<u>9,100</u>
Special appropriations:			
NC Forest Service-Fire protection		54,129	
Valley River Rescue Squad		59,500	
Cherokee County Rescue Squad		59,500	
Total	<u>186,005</u>	<u>173,129</u>	<u>12,876</u>
Total public safety	<u>8,942,107</u>	<u>8,683,528</u>	<u>258,579</u>
Transportation:			
Airport:			
Salaries and employee benefits		50,934	
Operating expenditures		223,721	
Total	<u>362,211</u>	<u>274,655</u>	<u>87,556</u>
Public transportation:			
Salaries and employee benefits		454,245	
Operating expenditures		201,946	
Total	<u>761,956</u>	<u>656,191</u>	<u>105,765</u>
Total transportation	<u>1,124,167</u>	<u>930,846</u>	<u>193,321</u>
Environmental protection:			
Solid waste:			
Salaries and employee benefits		717,244	
Operating expenditures		478,214	
Capital outlay		30,825	
Total	<u>1,480,762</u>	<u>1,226,283</u>	<u>254,479</u>
Total environmental protection	<u>1,480,762</u>	<u>1,226,283</u>	<u>254,479</u>



**Cherokee County, North Carolina**  
**General Fund**

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

**For the Fiscal Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Economic and physical development:			
Economic development:			
Salaries and employee benefits		60,670	
Operating expenditures		19,250	
Total	<u>81,213</u>	<u>79,920</u>	<u>1,293</u>
Cooperative extension:			
Salaries and employee benefits		132,331	
Operating expenditures		64,212	
Grants		12,511	
Total	<u>224,107</u>	<u>209,054</u>	<u>15,053</u>
Soil and water conservation:			
Salaries and employee benefits		86,264	
Total	<u>86,299</u>	<u>86,264</u>	<u>35</u>
Special appropriations:			
Cherokee County Board of Tourism		157,054	
Soil and water conservation district		82,662	
Hiwassee River Coalition		5,000	
Total	<u>257,662</u>	<u>244,716</u>	<u>12,946</u>
Total economic and physical development	<u>649,281</u>	<u>619,954</u>	<u>29,327</u>
Human services:			
Health department:			
Administration:			
Salaries and employee benefits		540,641	
Operating expenditures		117,118	
Capital outlay		8,742	
Total		<u>666,501</u>	
Women, infants, and children:			
WIC - Breastfeeding		11,101	
WIC - Administration		15,693	
WIC - Client services		85,845	
WIC - Nutritional Education		28,526	
Total		<u>141,165</u>	
Environmental health:			
Salaries and employee benefits		140,228	
Operating expenditures		10,395	
Total		<u>150,623</u>	
Food and lodging:			
Salaries and employee benefits		143,508	
Operating expenditures		4,513	
Total		<u>148,021</u>	

**Cherokee County, North Carolina  
General Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Human Services, Health department (continued):			
Health programs:			
Health promotion		40,431	
Lab		160,466	
Bio Terrorism		40,647	
Animal/Meth		6,353	
Immunization		82,872	
Communicable disease		41,619	
Andrews clinic		216,072	
Adult health		12,438	
STD		13,169	
Women's health		3,241	
Pregnancy care management (OBCM)		42,720	
Maternal health		53,681	
Breast and cervical cancer		44,754	
Breast feeding peer counseling		8,090	
Family planning		137,217	
Child health		36,861	
Child service coordinator		47,586	
School based clinic		85,766	
School nurse initiative		100,000	
Medication management		32,257	
Smart start		41,185	
Total		<u>1,247,425</u>	
Total Health Department	<u>2,562,202</u>	<u>2,353,735</u>	<u>208,467</u>
Social services:			
Administration:			
Salaries and employee benefits		2,833,582	
Operating expenses		155,937	
Capital outlay		38,823	
Total		<u>3,028,342</u>	
Programs:			
Operating expenses		<u>3,019,156</u>	
Total		<u>3,019,156</u>	
Total social services	<u>5,889,813</u>	<u>6,047,498</u>	<u>(157,685)</u>
Senior citizens program:			
Salaries and employee benefits		197,749	
Operating expenses		161,037	
Total senior citizens program	<u>366,743</u>	<u>358,786</u>	<u>7,957</u>
Mental health:			
Operating expenses		75,000	
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 Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Human services (continued):			
Veterans service officer:			
Salaries and employee benefits		9,931	
Operating expenses		1,893	
Total mental health	<u>16,608</u>	<u>11,824</u>	<u>4,784</u>
Special appropriations:			
Industrial Opportunities, Inc.		50,000	
State of Franklin Health Council		14,000	
Haven Child Advocacy		10,000	
Juvenile Crime Prevention Programs		99,706	
Total	<u>174,632</u>	<u>173,706</u>	<u>926</u>
Total human services	<u>9,084,998</u>	<u>9,020,549</u>	<u>64,449</u>
Cultural and recreational:			
Library:			
Operating expenditures		183,045	
Total	<u>183,045</u>	<u>183,045</u>	<u>-</u>
Parks and recreation:			
Salaries and employee benefits		195,135	
Operating expenditures		106,711	
Capital outlay		35,150	
Total	<u>371,213</u>	<u>336,996</u>	<u>34,217</u>
Museum:			
Salaries and employee benefits		39,787	
Operating expenditures		59	
Total	<u>39,875</u>	<u>39,846</u>	<u>29</u>
Total cultural and recreation	<u>594,133</u>	<u>559,887</u>	<u>34,246</u>
Education:			
Public schools:			
Public schools - current		4,777,999	
Public schools - other		179,257	
Public schools - capital outlay		397,244	
Total	<u>5,408,541</u>	<u>5,354,500</u>	<u>54,041</u>
Community college:			
Community college - current		657,805	
Community college - capital outlay		149,051	
Total	<u>812,370</u>	<u>806,856</u>	<u>5,514</u>
Total education	<u>6,220,911</u>	<u>6,161,356</u>	<u>59,555</u>

**Cherokee County, North Carolina**  
**General Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Principal retirements		2,439,075	
Interest and fees		484,842	
Total debt service	<u>2,943,028</u>	<u>2,923,917</u>	<u>19,111</u>
Total expenditures	<u>34,384,701</u>	<u>33,259,031</u>	<u>1,125,670</u>
Revenues over (under) expenditures	<u>(27,321)</u>	<u>2,424,451</u>	<u>2,451,772</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds:	458,562	-	(458,562)
Transfers to other funds:	<u>(620,372)</u>	<u>(599,786)</u>	<u>20,586</u>
Total other financing sources (uses)	<u>(161,810)</u>	<u>(599,786)</u>	<u>(437,976)</u>
Revenues and other sources over (under) expenditures	<u>(189,131)</u>	<u>1,824,665</u>	<u>2,013,796</u>
Appropriated fund balance	<u>189,131</u>	-	<u>(189,131)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,824,665</u>	<u>\$ 1,824,665</u>
Fund balance, beginning as previously reported		12,573,996	
Prior period adjustment		<u>(18,083)</u>	
Fund balance, beginning as restated		<u>12,555,913</u>	
Fund balance, ending		<u>\$ 14,380,578</u>	

**Cherokee County, North Carolina**

**Revaluation Fund**

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

**For the Fiscal Year Ended June 30, 2013**

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ 300	\$ 233	\$ (67)
Total revenues	<u>300</u>	<u>233</u>	<u>(67)</u>
<b>EXPENDITURES</b>			
Current:			
General government:			
Salaries and employee benefits		15,534	
Total expenditures	<u>21,593</u>	<u>15,534</u>	<u>6,059</u>
Revenues over (under) expenditures	<u>(21,293)</u>	<u>(15,301)</u>	<u>5,992</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from other funds:			
General Fund	75,000	75,000	-
Total other financing sources (uses)	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Increase in fund balance for subsequent expenditures	(53,707)	-	53,707
Net change in fund balance	<u>\$ -</u>	59,699	<u>\$ 59,699</u>
Fund balance, beginning		<u>232,642</u>	
Fund balances, ending		<u>\$ 292,341</u>	

# MAJOR GOVERNMENTAL FUNDS

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The County has two major governmental funds.

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## ***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, 2013**

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ 75,000	\$ 131,080	\$ 56,080
Total revenues	<u>75,000</u>	<u>131,080</u>	<u>56,080</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from other funds:			
General Fund		383,561	
Total other financing sources (uses)	<u>383,562</u>	<u>383,561</u>	<u>1</u>
Increase in fund balance for subsequent expenditures	(458,562)	-	458,562
Net change in fund balance	<u>\$ -</u>	514,641	<u>\$ 514,643</u>
Fund balance, beginning		<u>3,515,011</u>	
Fund balances, ending		<u>\$ 4,029,652</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, 2013**

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>REVENUES</b>					
Interest	\$ -	\$ 8,255	\$ 293	\$ 8,548	\$ 8,548
Total revenues	<u>-</u>	<u>8,255</u>	<u>293</u>	<u>8,548</u>	<u>8,548</u>
<b>EXPENDITURES</b>					
Education:					
Capital outlay:					
Administration		14,710	-	14,710	
Construction		7,226,213	863,314	8,089,527	
Professional services		235,975	-	235,975	
Contingency		98,732	92,369	191,101	
Total expenditures	<u>8,789,989</u>	<u>7,575,630</u>	<u>955,683</u>	<u>8,531,313</u>	<u>258,676</u>
Revenues over (under) expenditures	<u>(8,789,989)</u>	<u>(7,567,375)</u>	<u>(955,390)</u>	<u>(8,522,765)</u>	<u>267,224</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from other funds		631,209	-	631,209	
Installment purchase proceeds		8,158,780	-	8,158,780	
Total other financing sources (uses)	<u>8,789,989</u>	<u>8,789,989</u>	<u>-</u>	<u>8,789,989</u>	<u>-</u>
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,222,614</u>	<u>(955,390)</u>	<u>\$ 267,224</u>	<u>\$ 267,224</u>
Fund balance, beginning			<u>1,222,614</u>		
Fund balance, ending			<u>\$ 267,224</u>		



# Non-major Governmental Funds

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The County has the following non-major governmental funds:

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## ***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.

**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.

**Housing Preservation Grant Fund** - This fund is established to account for the Grant to repair or rehabilitate low- and very low-income housing. For the fiscal year ended June 30, 2013, the fund had no financial transactions to report.

## ***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. For the fiscal year ended June 30, 2013, the fund had no financial transactions or account balances to report.

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

**Capital Reserve Fund** - This fund is used for the purchase of the Cornerstone Building. For the fiscal year ended June 30, 2013, the fund had no financial transactions to report.

**Health Department Renovation and Expansion Capital Project** – This fund is used to account for the renovations, expansion and the purchase of a mobile unit for the Andrews Health Center.

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

**Cherokee County, North Carolina**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**June 30, 2013**

	Total Non-major Special Revenue Funds	Total Non-major Capital Projects Fund	Total Non-major Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 300,091	\$ 19,876	\$ 319,967
Restricted cash	-	81,393	81,393
Investments	-	-	-
Taxes receivable (net)	158,337	-	158,337
Accounts receivable	7,200	622,778	629,978
Due from other funds	-	-	-
Due from other governments	-	-	-
Deposits and prepaid	-	-	-
Total assets	<u>\$ 465,628</u>	<u>\$ 724,047</u>	<u>\$ 1,189,675</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 24,538	\$ 144,048	\$ 168,586
Due to other funds	7,200	503,975	511,175
Total liabilities	<u>31,738</u>	<u>648,023</u>	<u>679,761</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes receivable	158,337	-	158,337
Unearned revenues	-	-	-
Total deferred inflows of resources	<u>158,337</u>	<u>-</u>	<u>158,337</u>
Fund balances:			
Restricted:			
Stabilization by state statute	7,200	622,778	629,978
Public safety	275,553	-	275,553
Transportation	-	(330,871)	(330,871)
Economic and physical development	-	5,166	5,166
Human services	-	(221,049)	(221,049)
Fire protection	-	-	-
School capital	-	-	-
Unassigned	(7,200)	-	(7,200)
Total fund balances	<u>275,553</u>	<u>76,024</u>	<u>351,577</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 465,628</u>	<u>\$ 724,047</u>	<u>\$ 1,189,675</u>

**Cherokee County, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

	Total Non-major Special Revenue Funds	Total Non-major Capital Projects Fund	Total Non-major Governmental Funds
<b>REVENUES</b>			
Ad valorem taxes	\$ 1,778,838	\$ -	\$ 1,778,838
Other taxes and licenses	-	-	-
Restricted intergovernmental	302,816	905,772	1,208,588
Restricted other	-	-	-
Investment earnings	262	-	262
Total revenues	<u>2,081,916</u>	<u>905,772</u>	<u>2,987,688</u>
<b>EXPENDITURES</b>			
Current:			
General government	293,463	-	293,463
Public safety	1,676,493	-	1,676,493
Transportation	-	365,051	365,051
Education	-	-	-
Economic development	46,876	-	46,876
Human services	-	625,994	625,994
Total expenditures	<u>2,016,832</u>	<u>991,045</u>	<u>3,007,877</u>
Revenues over (under) expenditures	65,084	(85,273)	(20,189)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	-	46,680	46,680
Transfers to other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>46,680</u>	<u>46,680</u>
Net change in fund balances	65,084	(38,593)	26,491
Fund balances, beginning as restated	<u>210,469</u>	<u>114,617</u>	<u>325,086</u>
Fund balances, ending	<u>\$ 275,553</u>	<u>\$ 76,024</u>	<u>\$ 351,577</u>

**Cherokee County, North Carolina**  
**Combining Balance Sheet**  
**Non-major Governmental Special Revenue Funds**  
**June 30, 2013**

	Emergency Telephone System Fund	Fire District Fund	Bear Paw Service District
<b>ASSETS</b>			
Cash and cash equivalents	\$ 275,861	\$ 21,796	\$ 2,434
Restricted cash	-	-	-
Investments	-	-	-
Taxes receivable (net)	-	145,463	12,874
Accounts receivable	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Deposits and Prepaid	-	-	-
Total assets	<u>\$ 275,861</u>	<u>\$ 167,259</u>	<u>\$ 15,308</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 308	\$ 21,796	\$ 2,434
Due to other funds	-	-	-
Total liabilities	<u>308</u>	<u>21,796</u>	<u>2,434</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes receivable	-	145,463	12,874
Unearned Revenues	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>145,463</u>	<u>12,874</u>
Fund balances:			
Restricted:			
Stabilization by State Statute	-	-	-
Public Safety	275,553	-	-
Transportation	-	-	-
Economic and Physical Development	-	-	-
Human Services	-	-	-
Fire Protection	-	-	-
School	-	-	-
Unassigned	-	-	-
Total fund balances	<u>275,553</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 275,861</u>	<u>\$ 167,259</u>	<u>\$ 15,308</u>

Housing Preservation Grant Fund	Total Non-major Special Revenue Funds
\$ -	\$ 300,091
-	-
-	-
-	158,337
7,200	7,200
-	-
-	-
-	-
<u>\$ 7,200</u>	<u>\$ 465,628</u>
\$ -	\$ 24,538
7,200	7,200
<u>7,200</u>	<u>31,738</u>
-	158,337
-	-
<u>-</u>	<u>158,337</u>
7,200	7,200
-	275,553
-	-
-	-
-	-
-	-
-	-
(7,200)	(7,200)
<u>-</u>	<u>275,553</u>
<u>\$ 7,200</u>	<u>\$ 465,628</u>

**Cherokee County, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-major Governmental Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2013**

	Emergency Telephone System Fund	Fire District Fund	Bear Paw Service District	Scattered Sites Housing Fund	Total Non- major Special Revenue Funds
<b>REVENUES</b>					
Ad valorem taxes	\$ -	\$ 1,485,375	\$ 293,463	\$ -	\$ 1,778,838
Other taxes and licenses	-	-	-	-	-
Restricted intergovernmental	255,940	-	-	46,876	302,816
Restricted other	-	-	-	-	-
Investment earnings	262	-	-	-	262
Total revenues	<u>256,202</u>	<u>1,485,375</u>	<u>293,463</u>	<u>46,876</u>	<u>2,081,916</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	293,463	-	293,463
Public safety	191,118	1,485,375	-	-	1,676,493
Transportation	-	-	-	-	-
Education	-	-	-	-	-
Economic Development	-	-	-	46,876	46,876
Total expenditures	<u>191,118</u>	<u>1,485,375</u>	<u>293,463</u>	<u>46,876</u>	<u>2,016,832</u>
Revenues over (under) expenditures	65,084	-	-	-	65,084
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	65,084	-	-	-	65,084
Fund balances, beginning as restated	<u>210,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,469</u>
Fund balances, ending	<u>\$ 275,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 275,553</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, 2013**

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Restricted intergovernmental	\$ 255,940	\$ 255,940	\$ -
Investment earnings	900	262	(638)
Total revenues	<u>256,840</u>	<u>256,202</u>	<u>(638)</u>
<b>EXPENDITURES</b>			
Public safety			
Operating expenditures		191,118	
Total expenditures	<u>120,600</u>	<u>191,118</u>	<u>(70,518)</u>
Revenues over (under) expenditures	<u>136,240</u>	<u>65,084</u>	<u>(71,156)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from other funds:		-	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Increase in fund balance for subsequent expenditures	(136,240)	-	136,240
Revenues and other sources over (under) expenditures	<u>\$ -</u>	65,084	<u>\$ 65,084</u>
Fund balance, beginning		<u>210,469</u>	
Fund balances, ending		<u>\$ 275,553</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, 2013**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Ad valorem taxes	\$ 1,492,208	\$ 1,485,375	\$ (6,833)
Total revenues	<u>1,492,208</u>	<u>1,485,375</u>	<u>(6,833)</u>
<b>EXPENDITURES</b>			
Public safety:			
Bellview Fire District		90,419	
Brasstown Fire District		14,734	
Culberson Fire District		83,492	
Grape Creek Fire District		28,204	
Hanging Dog Fire District		47,125	
Hiwassee Fire District		184,327	
Wolf Creek Fire District		63,672	
Martins Creek Fire District		77,603	
Peachtree Fire District		168,919	
Murphy Rural Fire District		285,271	
Ranger Fire District		123,686	
Unaka Fire District		32,606	
Valleytown Fire District		285,317	
Total expenditures	<u>1,492,208</u>	<u>1,485,375</u>	<u>6,833</u>
Revenues over (under) expenditures	<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**

**Bear Paw Service District**

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

**For the Fiscal Year Ended June 30, 2013**

---

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Ad valorem taxes	\$ 296,550	\$ 293,463	\$ (3,087)
Total revenues	<u>296,550</u>	<u>293,463</u>	<u>(3,087)</u>
<b>EXPENDITURES</b>			
General government:			
Bear Paw Service District	<u>296,550</u>	<u>293,463</u>	<u>3,087</u>
Total expenditures	<u>296,550</u>	<u>293,463</u>	<u>3,087</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
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, 2013**

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>REVENUES</b>					
Restricted intergovernmental:					
Community Development Block Grant	\$ 400,000	\$ 349,768	\$ 46,876	\$ 396,644	\$ (3,356)
Total revenues	400,000	349,768	46,876	396,644	(3,356)
<b>EXPENDITURES</b>					
Economic and physical development:					
Capital outlay:					
Administration		55,613	11,167	66,780	
Planning		6,983	-	6,983	
Rehabilitation/Re-Construction		279,599	35,059	314,658	
Temporary relocation		7,573	650	8,223	
Total expenditures	400,000	349,768	46,876	396,644	3,356
Revenues over (under) expenditures	-	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>					
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**  
**Non-major Governmental Capital Project Funds**  
**June 30, 2013**

	Water & Sewer Improvements	Capital Reserve	Health Department Renovation and Expansion Capital Project	Airport Improvements	Total Non- major Capital Projects Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 19,876	\$ -	\$ -	\$ -	\$ 19,876
Restricted cash	-	41,839	39,554	-	81,393
Investments	-	-	-	-	-
Taxes receivable (net)	-	-	-	-	-
Accounts receivable	-	-	291,906	330,872	622,778
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Deposits and Prepaid	-	-	-	-	-
Total assets	<u>\$ 19,876</u>	<u>\$ 41,839</u>	<u>\$ 331,460</u>	<u>\$ 330,872</u>	<u>\$ 724,047</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 14,710	\$ -	\$ 121,713	\$ 7,625	\$ 144,048
Due to other funds	-	-	180,729	323,246	503,975
Total liabilities	<u>14,710</u>	<u>-</u>	<u>302,442</u>	<u>330,871</u>	<u>648,023</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Taxes receivable	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted:					
Stabilization by state statute	-	-	291,906	330,872	622,778
Public Safety	-	-	-	-	-
Transportation	-	-	-	(330,871)	(330,871)
Economic and physical development	5,166	-	-	-	5,166
Human services	-	41,839	(262,888)	-	(221,049)
Fire protection	-	-	-	-	-
School capital	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>5,166</u>	<u>41,839</u>	<u>29,018</u>	<u>1</u>	<u>76,024</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,876</u>	<u>\$ 41,839</u>	<u>\$ 331,460</u>	<u>\$ 330,872</u>	<u>\$ 724,047</u>

**Cherokee County, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-major Governmental Capital Project Funds**  
**June 30, 2013**

	Water & Sewer Improvements	Capital Reserve	Health Department Renovation and Expansion Capital Project	Airport Improvements	Total Non- major Capital Projects Fund
<b>REVENUES</b>					
Restricted intergovernmental	\$ 5,166	\$ -	\$ 582,758	\$ 317,848	\$ 905,772
Total revenues	<u>5,166</u>	<u>-</u>	<u>582,758</u>	<u>317,848</u>	<u>905,772</u>
<b>EXPENDITURES</b>					
Current:					
Transportation	-	-	-	365,051	365,051
Education	-	-	-	-	-
Economic development	-	-	-	-	-
Human services	-	-	625,994	-	625,994
Total expenditures	<u>-</u>	<u>-</u>	<u>625,994</u>	<u>365,051</u>	<u>991,045</u>
Revenues over (under) expenditures	5,166	-	(43,236)	(47,203)	(85,273)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	-	-	39,554	7,126	46,680
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>39,554</u>	<u>7,126</u>	<u>46,680</u>
Net change in fund balances	5,166	-	(3,682)	(40,077)	(38,593)
Fund balances, beginning	<u>-</u>	<u>41,839</u>	<u>32,700</u>	<u>40,078</u>	<u>114,617</u>
Fund balances, ending	<u>\$ 5,166</u>	<u>\$ 41,839</u>	<u>\$ 29,018</u>	<u>\$ 1</u>	<u>\$ 76,024</u>

**Cherokee County, North Carolina**

**Water & Sewer Improvements**

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

**From Inception and for the Fiscal Year Ended June 30, 2013**

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>REVENUES</b>					
Restricted intergovernmental:					
Grants					
Community Development Block Grant	\$ 581,815	\$ 567,105	\$ -	\$ 567,105	\$ (14,710)
NC Rural Center Grant	279,493	216,866	3,214	220,080	(59,413)
Appalachian Regional Commission	169,692	131,681	1,952	133,633	(36,059)
Total revenues	<u>1,031,000</u>	<u>915,652</u>	<u>5,166</u>	<u>920,818</u>	<u>(110,182)</u>
<b>EXPENDITURES</b>					
Economic and physical development:					
Capital outlay:					
Community Development Block Grant	581,815	567,105	-	567,105	14,710
NC Rural Center	279,493	216,866	-	216,866	62,627
Appalachian Regional Commission	169,692	131,681	-	131,681	38,011
Total expenditures	<u>1,031,000</u>	<u>915,652</u>	<u>-</u>	<u>915,652</u>	<u>115,348</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>5,166</u>	<u>5,166</u>	<u>5,166</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer to General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>5,166</u>	<u>\$ 5,166</u>	<u>\$ 5,166</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 5,166</u>		

**Cherokee County, North Carolina**

**Health Department Renovation and Expansion Capital Project**

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

**From Inception and for the Fiscal Year Ended June 30, 2013**

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>REVENUES</b>					
Restricted intergovernmental					
Grants	\$ 704,842	\$ 54,000	\$ 582,758	\$ 636,758	\$ (68,084)
Total revenues	<u>704,842</u>	<u>54,000</u>	<u>582,758</u>	<u>636,758</u>	<u>(68,084)</u>
<b>EXPENDITURES</b>					
Human services					
Operating expenditures		-	72,635	72,635	
Capital outlay		46,300	553,359	599,659	
Total expenditures	<u>729,842</u>	<u>46,300</u>	<u>625,994</u>	<u>672,294</u>	<u>57,548</u>
Revenues over (under) expenditures	<u>(25,000)</u>	<u>7,700</u>	<u>(43,236)</u>	<u>(35,536)</u>	<u>(10,536)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from other funds	25,000	25,000	39,554	64,554	39,554
Total other financing sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>39,554</u>	<u>64,554</u>	<u>39,554</u>
Appropriated fund balance	-	-	-		-
Net change in fund balance	<u>\$ -</u>	<u>\$ 32,700</u>	<u>(3,682)</u>	<u>\$ 29,018</u>	<u>\$ 29,018</u>
Fund balance, beginning			<u>32,700</u>		
Fund balance, ending			<u>\$ 29,018</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, 2013**

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>REVENUES</b>					
Restricted intergovernmental:					
Grant-36237.41.10.3	\$ 958,200	\$ 909,081	\$ 3,866	\$ 912,947	\$ (45,253)
Grant-36237.41.11.1	241,648	211,297	450	211,747	(29,901)
Grant-36237.41.11.3	355,628	-	154,106	154,106	(201,522)
Grant-36237.41.11.2	661,500	557,681	95,290	652,971	(8,529)
Grant-36237.41.12.1	62,575	62,575	-	62,575	-
Airport AWOS upgrade project	64,136	-	64,136	64,136	-
Total revenues	<u>2,343,687</u>	<u>1,740,634</u>	<u>317,848</u>	<u>2,058,482</u>	<u>(285,205)</u>
<b>EXPENDITURES</b>					
Transportation:					
Runway approach I 41.10.3	1,064,667	1,008,955	-	1,008,955	55,712
Taxi ways extension phase 41.11.1	268,498	235,274	-	235,274	33,224
Improve runway 8 safety area 41.11.3	395,142	2,156	198,499	200,655	194,487
Parallel taxi way project 41.11.2	735,000	632,727	95,290	728,017	6,983
Aviation access driveway 41.12.1	70,744	70,744	-	70,744	-
Airport AWOS upgrade project	71,262	-	71,262	71,262	-
Total expenditures	<u>2,605,313</u>	<u>1,949,856</u>	<u>365,051</u>	<u>2,314,907</u>	<u>290,406</u>
Revenues over (under) expenditures	<u>(261,626)</u>	<u>(209,222)</u>	<u>(47,203)</u>	<u>(256,425)</u>	<u>5,201</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from General Fund	<u>261,626</u>	<u>249,300</u>	<u>7,126</u>	<u>256,426</u>	<u>(5,200)</u>
Total other financing sources (uses)	<u>261,626</u>	<u>249,300</u>	<u>7,126</u>	<u>256,426</u>	<u>(5,200)</u>
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 40,078</u>	<u>(40,077)</u>	<u>\$ 1</u>	<u>\$ 1</u>
Fund balance, beginning			<u>40,078</u>		
Fund balance, ending			<u>\$ 1</u>		

# **Enterprise Fund**

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

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**Cherokee County, North Carolina**  
**Pool and Wellness Center**  
**Statement of Revenues, Expenditures - Budget and Actual (non-GAAP)**  
**For the Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Charges for services:			
Membership & fees		\$ 359,330	
Total operating revenues	<u>\$ 368,470</u>	<u>359,330</u>	<u>\$ (9,140)</u>
Nonoperating revenues:			
Interest earnings		2	
Total nonoperating revenues	<u>-</u>	<u>2</u>	<u>2</u>
Total revenues	<u>368,470</u>	<u>359,332</u>	<u>(9,138)</u>
<b>EXPENDITURES</b>			
Operations:			
Salaries & employee benefits		236,850	
Supplies		23,648	
Travel		2,969	
Utilities		82,743	
Maintenance		10,113	
Other		30,920	
Advertising		3,104	
Total operating expenses	<u>390,470</u>	<u>390,347</u>	<u>123</u>
Debt service:			
Interest	39,500	39,033	
Principal	12,500	12,014	
Total debt service	<u>52,000</u>	<u>51,047</u>	<u>953</u>
Total expenditures:	<u>442,470</u>	<u>441,394</u>	<u>1,076</u>
Revenues over (under) expenditures	<u>(74,000)</u>	<u>(82,062)</u>	<u>(8,062)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from other funds:			
General Fund	74,000	94,545	20,545
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 12,483</u>	<u>\$ 12,483</u>
<b>Reconciliation from Budgetary Basis (modified accrual) to Full accrual:</b>			
Revenues and other financing sources over (under) expenditures		\$ 12,483	
Reconciling items:			
Principal retirement		12,014	
Depreciation		(100,269)	
Total reconciling items		<u>(88,255)</u>	
Change in net position		<u>\$ (75,772)</u>	

# AGENCY FUNDS

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Agency Funds are used to account for assets held by the county as an agent for individuals and/or other governments.

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- **Sheriff's Fund** – This fund accounts for moneys held by the Sheriff for the benefit of inmates while they are incarcerated and for funds held for the Clerk of the Court.
- **Social Services Fund** - This fund accounts for monies held by the Social Services Department for the benefit of certain individuals in the County.
- **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.
- **Fines and Forfeitures Fund** – This fund accounts for fines and forfeitures collected by the County that are required to be remitted to the Cherokee County Board of Education.
- **Motor Vehicle Tax Fund** – This fund accounts for the proceeds of the motor vehicle taxes that are collected by the County on behalf of the municipalities within the County.

**Cherokee County, North Carolina**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b><u>Sheriff's Trust Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 77,763	\$ 183,923	\$ 187,068	\$ 74,618
Liabilities:				
Miscellaneous liabilities	\$ 77,763	\$ 183,923	\$ 187,068	\$ 74,618
<b><u>Social Services Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 58,835	\$ 429,463	\$ 432,684	\$ 55,614
Liabilities:				
Miscellaneous liabilities	\$ 58,835	\$ 429,463	\$ 432,684	\$ 55,614
<b><u>Deed of Trust Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Liabilities:				
Intergovernmental payable State of NC	\$ -	\$ -	\$ -	\$ -
<b><u>Fines and Forfeitures Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Liabilities:				
Intergovernmental payable - Cherokee County Board of Education	\$ -	\$ -	\$ -	\$ -
<b><u>Motor Vehicle Tax Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 3,830	\$ 65,059	\$ 62,577	\$ 6,312
Liabilities:				
Intergovernmental payable	\$ 3,830	\$ 65,059	\$ 62,577	\$ 6,312
Total	\$ 3,830	\$ 65,059	\$ 62,577	\$ 6,312
<b><u>Totals - All Agency Funds</u></b>				
Assets:				
Cash and cash equivalents	\$ 140,428	\$ 678,445	\$ 682,329	\$ 136,544
Liabilities:				
Miscellaneous liabilities	\$ 136,598	\$ 613,386	\$ 619,752	\$ 130,232
Intergovernmental payable	3,830	65,059	62,577	6,312
Total liabilities	\$ 140,428	\$ 678,445	\$ 682,329	\$ 136,544

## **OTHER SCHEDULES**

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

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Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy – County-Wide Levy

Emergency Telephone System Unspent Balance - PSAP Reconciliation

Schedule of Transfers

**Cherokee County, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2013**

<u>Fiscal Year</u>	<u>Uncollected Beginning Balance</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Ending Balance</u>
2012-2013	\$ -	\$ 15,919,202	\$ 15,013,734	\$ 905,468
2011-2012	895,944	-	623,774	272,170
2010-2011	304,874	-	159,719	145,155
2009-2010	167,272	-	71,445	95,827
2008-2009	94,063	-	24,231	69,832
2007-2008	76,859	-	14,890	61,969
2006-2007	59,657	-	13,090	46,567
2005-2006	45,783	-	7,086	38,697
2004-2005	37,425	-	4,913	32,512
2003-2004	35,726	-	6,337	29,389
2002-2003	34,866	-	34,866	-
	<u>\$ 1,752,470</u>	<u>\$ 15,919,202</u>	<u>\$ 15,974,085</u>	1,697,586

Less: allowance for uncollectible accounts:

General fund (401,273)

Ad valorem taxes receivable - net:

General fund \$ 1,296,313

Reconciliation with revenues:

Ad valorem taxes - General fund \$ 16,120,090

Reconciling items:

Interest collected (251,733)

Release and adjustments 70,862

Taxes written off 34,866

Total reconciling items (146,005)

Total collections and credits \$ 15,974,085

**Cherokee County, North Carolina**  
**Analysis of Current Tax Levy**  
**County - Wide Levy**  
**For the Fiscal Year Ended June 30, 2013**

	County - Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 3,016,744,808	0.520	\$ 15,687,073	\$ 14,580,290	\$ 1,106,783
Penalties	-		10,213	10,213	-
Total	<u>3,016,744,808</u>		<u>15,697,286</u>	<u>14,590,503</u>	<u>1,106,783</u>
Discoveries:					
Current year taxes	62,034,231	0.520	322,578	322,578	-
Abatements					
Penalties			(1,814)	(1,814)	
Taxes	<u>(19,009,231)</u>	0.520	<u>(98,848)</u>	<u>(72,216)</u>	<u>(26,632)</u>
Total property valuation	<u><u>3,059,769,808</u></u>				
Net levy			15,919,202	14,839,051	1,080,151
Uncollected taxes at June 30, 2013			<u>905,468</u>	<u>593,004</u>	<u>312,464</u>
Current year's taxes collected			<u>\$ 15,013,734</u>	<u>\$ 14,246,047</u>	<u>\$ 767,687</u>
Current levy collection percentage			<u>94.31%</u>	<u>96.00%</u>	<u>71.07%</u>

**Cherokee County, North Carolina**  
**Emergency Telephone System Unspent Balance**  
**PSAP Reconciliation**  
**For the Fiscal Year Ended June 30, 2013**

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Amounts reported on the Emergency Telephone System Fund budget to actual are different from the PSAP Revenue-Expenditure Report because:

Net Change in Fund Balance, reported on Budget to Actual	\$ 65,084
Beginning Balance, PSAP Revenue-Expenditure Report	<u>210,469</u>
Ending Balance, PSAP Revenue-Expenditure Report	<u><u>\$ 275,553</u></u>

**Cherokee County, North Carolina**  
**Schedule of Transfers**  
**For the Fiscal Year Ended June 30, 2013**

	Transfers	
	From	To
<b>Operating Transfers From/To Other Funds</b>		
General Fund:		
Airport Improvement Fund		7,126
Debt service fund		383,561
Revaluation fund		75,000
Health Department Renovation and Expansion Capital Project		39,554
Pool and Wellness Center		94,545
Airport Improvement Fund General	7,126	
Debt Service Fund General	383,561	
Revaluation Fund General	75,000	
Health Department Renovation and Expansion Capital Project General	39,554	
Pool and Wellness Center Proprietary Fund General	94,545	
	<u>599,786</u>	<u>599,786</u>



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## **COMPLIANCE SECTION**

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

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## **Independent Auditors' 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***

Board of Commissioners  
Cherokee County  
Murphy, North Carolina

We have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregated remaining fund information of the Cherokee County, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the Cherokee County's basic financial statements, and have issued our report thereon dated March 31, 2014.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Cherokee County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cherokee County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Cherokee 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Turner, Hatchett & Turner, C.P.A.'s, P.A.*

Turner, Hatchett & Turner, CPA's, P.A.  
Murphy, North Carolina  
March 31, 2014

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## **Independent Auditors' 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**

Board of Commissioners  
Cherokee County  
Murphy, North Carolina

### **Report on Compliance for Each Major Federal Program**

We have audited the 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 the Cherokee County's major federal programs for the year ended June 30, 2013. Cherokee County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Cherokee County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act.<sup>2</sup> 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Cherokee County's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Cherokee County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of Cherokee County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cherokee County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 Board'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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Turner, Hatchett & Turner, C.P.A.'s, P.A.*

Turner, Hatchett & Turner, CPA's, P.A.  
Murphy, North Carolina

March 31, 2014

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

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

Board of Commissioners  
Cherokee County  
Murphy, North Carolina

### **Report on Compliance for Each Major State Program**

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 could have a direct and material effect on each of Cherokee County's major state programs for the year ended June 30, 2013. Cherokee County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Cherokee County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major state program. However, our audit does not provide a legal determination of Cherokee County's compliance.

### **Opinion on Each Major State Program**

In our opinion, Cherokee County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of Cherokee County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cherokee County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with 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 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Turner, Hatchett & Turner, C.P.A.'s, P.A.*

Turner, Hatchett & Turner, CPA's, P.A.  
Murphy, North Carolina

March 31, 2014

**Cherokee County, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2013**

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditor's report issued:	<u>Unqualified</u>	
Internal control over financial reporting:		
• Material Weakness identified	_____ yes	<u>  X  </u> no
• Significant Deficiency(s) identified that are not considered to be material weaknesses?	_____ yes	<u>  X  </u> no
Noncompliance material to financial statements noted	_____ yes	<u>  X  </u> no

**Federal Awards**

Internal control over major federal programs:		
• Material Weakness identified	_____ yes	<u>  X  </u> no
• Significant Deficiency(s) identified that are not considered to be material weaknesses?	_____ yes	<u>  X  </u> no

Type of auditor's report issued on compliance for major federal programs:	<u>Unqualified</u>	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133.	_____ yes	<u>  X  </u> no

Identification of major Federal Program:		
Name of Federal Program or Cluster		CFDA#
Title XIX Medicaid		93.778

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 971,106</u>	
Auditee qualified as low-risk auditee	<u>  X  </u> yes	_____ no

**State Awards**

Internal control over major state programs:		
• Material Weakness identified	_____ yes	<u>  X  </u> no
• Significant Deficiency(s) identified that are not considered to be material weaknesses?	_____ yes	<u>  X  </u> no

Type of auditor's report issued on compliance for major state programs:	<u>Unqualified</u>	
Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	_____ yes	<u>  X  </u> 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.		

**Cherokee County, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2013**

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**Section II - Financial Statement Findings**

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None reported.

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**Section III - Federal Award Findings and Questioned Costs**

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None reported.

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**Section IV - State Award Findings and Questioned Costs**

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None reported.



**Cherokee County, North Carolina**  
**Corrective Action Plan**  
**For the Fiscal Year Ended June 30, 2013**

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**Section II - Financial Statement Findings**

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None reported.

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**Section III - Federal Award Findings and Questioned Costs**

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None reported.

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**Section IV - State Award Findings and Questioned Costs**

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None reported.

**Cherokee County, North Carolina**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Fiscal Year Ended June 30, 2013**

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None Reported

**Cherokee County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2013**

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 Agriculture</u>					
<u>Food and Nutrition Service</u>					
Passed-through the N.C. Department of Health and Human Services:					
Division of Social Services:					
Administration:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	XXXX	279,500	-	279,499
Passed-through the N.C. Department of Health and Human Services:					
Division of Public Health:					
Administration:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	XXXX	154,340	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	XXXX	575,796	-	-
<u>U.S. Department of Housing and Urban Development</u>					
Passed through the N.C. Department of Commerce					
Community Development Block Grant - CDBG 10-C-2117	14.228	XXXX	46,876	-	-
Total Department of Housing and Urban Development			46,876	-	-
<u>U. S. Department of Justice</u>					
<u>Bureau of Justice Assistance</u>					
Bulletproof Vest Partnership Program	16.607	XXXX	2,697	-	-
Byrne JAG Program	16.738	XXXX	36,158	-	12,052
Total Department of Justice			38,855	-	12,052
<u>U.S. Department of Transportation</u>					
<u>Federal Aviation Administration</u>					
Passed-through N.C. Department of Transportation:					
State Block Grant Program - Airport Improvement Plan					
Project 36237.41.11.2	20.106	XXXX	85,761	-	9,529
Project 36237.41.11.3	20.106	XXXX	178,649	-	19,850
Project 36237.41.11.5	20.106	XXXX	64,136	-	7,126
<u>Pipeline and Hazardous Materials Safety Administration</u>					
Passed-through N.C. Department of Transportation:					
Hazardous Materials Emergency Planning Grant	20.703	XXXX	9,825	-	-
<u>Federal Transit Administration</u>					
Passed-through N.C. Department of Transportation:					
Formula Grants for Other than Urbanized Areas					
Project 36233.22.14.1	20.509	XXXX	130,985	8,184	24,564
Project 51001.30.2.3	20.513	XXXX	53,805	-	53,806
Project 51002.29.1.2	20.516	XXXX	8,688	-	8,690
Total U.S. Department of Transportation			531,849	8,184	123,565
<u>U.S. Appalachian Regional Commission</u>					
Appalachian Regional Development	23.001	XXXX	99,564	-	42,670
<u>U.S. Department of Homeland Security</u>					
Passed-through N.C. Department of Public Safety					
Division of Emergency Management					
Homeland Security Exercise Program	97.067	XXXX	4,980	-	-
Earthquake Hazards Reduction State Assistance Program	97.082	XXXX	1,564	-	-
Hazard Mitigation Grant Program	97.039	XXXX	30,245	10,081	-
Emergency Management Performance Grants	97.042	XXXX	20,625	-	20,625
Total U.S. Department of Homeland Security			57,414	10,081	20,625

**Cherokee County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2013**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>U.S. Election Assistance Commission</u>					
Passed through N.C. State Board of Elections:					
Help America Vote Act (HAVA Funds)	90.401	XXXX	8,721	-	-
Total U.S. Election Assistance Commission			8,721	-	-
<u>U.S. Department of Health and Human Services:</u>					
<u>Office of the Population Affairs</u>					
Passed-through the N.C. Department of Health and Human Services:					
Division of Public Health:					
Family Planning Services Title X	93.217	XXXX	29,331	-	-
<u>Administration on Aging</u>					
<u>Division of Aging and Adult Services</u>					
<u>Aging Cluster:</u>					
Special Programs for the Aging Title III - Part B					
Grants for Supportive Services and Senior Centers	93.044	XXXX	60,245	3,544	7,088
Special Programs for the Aging Title III - Part C					
Nutrition Services	93.045	XXXX	165,539	9,735	19,475
Nutrition Services Incentive Program	93.053	XXXX	18,102	-	-
Total Aging Cluster			243,886	13,279	26,563
<u>Administration for Children and Families</u>					
Social Service Block Grant (SSBG) - In Home Services	93.667	XXXX	153,686	10,240	40,957
Promoting Safe and Stable Families	93.556	XXXX	4,313	-	-
N. C. Child Support Enforcement Section	93.563	XXXX	247,907	(9)	127,719
Low Income Home Energy Assistance Block Grant:					
Administration	93.568	XXXX	253,837	-	-
Child Welfare Services - State Grants					
- Adoption Subsidy - Direct Benefit Payments	93.645	XXXX	10,150	463	3,538
ARRA - Foster Care Title IV-E	93.658	XXXX	132,805	9,217	121,042
Foster Care Direct Benefits	93.658	XXXX	183,657	48,636	49,556
ARRA - Adoption Assistance					
Administration	93.659	XXXX	3,163	-	2,769
Adoption Assistance Direct benefits	94.659	XXXX	177,989	47,167	51,442
Chafee Foster Care Independence Program					
Administration	93.674	XXXX	6,734	1,684	-
Public Assistance	93.674	XXXX	27,919	-	-
AFDC Unemployed					
Public Assistance	93.560	XXXX	(240)	(66)	(66)
Temporary Assistance for Needy Families					
Administration	93.558	XXXX	406,442	-	80,696
Public Assistance	93.558	XXXX	101,613	-	-
Division of Social Services:					
Child Care Development Fund-Administration	93.596	XXXX	63,083	-	-
<u>Centers for Medicare and Medicaid Services</u>					
Passed-through N.C. Department of Health and Human Services:					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778	XXXX	27,880,483	15,799,081	4,295
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	XXXX	505,015	7,076	506,248
State Children's InsuraN.C.e Program N.C. Health Choice	93.767	XXXX	1,025	(9,489)	9,842
Division of Public Health:					
Bioterrorism Grant	93.069	XXXX	44,274	-	-
Temporary Assistance for Needy Families (TANF)					
Family Planning	93.558	XXXX	1,333	-	-

**Cherokee County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2013**

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 Insurance					
Senior Health Insurance Information Program	93.558	XXXX	5,782	-	-
<u>Centers for Disease Control</u>					
Passed-through N.C. Department of Health and Human Services:					
Division of Public Health:					
Cooperative Agreements for State-Based Comprehensive					
Breast and Cervical Cancer Early Detection Programs	93.919	XXXX	20,721	10,200	-
Nutrition, Physical Activity, and Obesity Programs	93.283	XXXX	2,994	-	-
Preventive Health and Health Services Block Grant	93.991	XXXX	9,640	-	-
<u>Health Resources and Services Administration</u>					
Passed-through N.C. Department of Health and Human Services:					
Division of Public Health:					
Maternal & Child Health Services Block Grant:					
Maternal Health	93.994	XXXX	3,609	2,707	-
Family Planning	93.994	XXXX	21,385	16,041	-
Child Care Coordination	93.994	XXXX	921	691	-
Child Health	93.994	XXXX	20,117	15,089	-
State Health Access Program	93.256	XXXX	4,400	-	-
<u>Immunization Cluster</u>					
Immunization Grants	93.268	XXXX	9,311	-	-
Total U.S. Department of Health and Human Services			30,577,285	15,972,007	1,024,601
Total federal awards			32,370,200	15,990,272	1,503,012
					Continued
<b>State Awards:</b>					
<u>N.C. Department of Environment and Natural Resources</u>					
Division of Waste Management					
Community Waste Reduction & Recycling Grant		XXXX	-	25,687	5,138
Scrap Tire Program		XXXX	-	12,199	-
Total N.C. Department of Environment and Natural Resources			-	37,886	5,138
<u>N.C. Department of Health and Human Services</u>					
Division of Aging and Adult Services					
Senior Center - General Purpose		XXXX	-	3,889	1,297
Total Division of Aging and Adult Services			-	3,889	1,297
Division of Social Services:					
Administration					
AFDC Incentive		XXXX	-	89	-
Public Assistance:					
Domiciliary Care		XXXX	-	257,155	257,155
State Foster Care		XXXX	-	87,660	87,660
Foster Care HF Maximization		XXXX	-	87,524	87,524
Foster Care at Risk Maximization		XXXX	-	9,963	5,248
CWS Adoption Subsidy		XXXX	-	237,413	74,278
Total Division of Social Service			-	679,804	511,865
Office of Rural Health and Community Care, Central Admin, Research, Demo, & Rural Health:					
HealthNet Program		XXXX	-	344,293	-
Total Office of Rural Health and Community Care, Central Admin, Research, Demo, & Rural Health			-	344,293	-

**Cherokee County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2013**

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 Public Health:					
Aid to Counties		XXXX	-	89,782	-
Communicable Disease		XXXX	-	11,066	-
Tuberculosis		XXXX	-	1,140	-
Tuberculosis Medical		XXXX	-	540	-
HIV/STD		XXXX	-	500	-
Women's Health Service Fund		XXXX	-	5,373	-
Risk Reduction/Health Promotion		XXXX	-	6,206	-
School Health Centers		XXXX	-	86,404	-
School Nurse Funding Initiative		XXXX	-	100,000	-
Environmental Health		XXXX	-	4,000	-
Other Receipts		XXXX	-	4,654	-
Total Division of Public Health			-	309,665	-
Total N.C. Department of Health and Human Services			-	1,337,651	513,162
<u>N. C. Department of Public Instruction</u>					
Public School Building Capital Fund - Lottery Proceeds		XXXX	-	260,147	-
Total N. C. Department of Public Instruction			-	260,147	-
<u>N.C. Department of Transportation</u>					
Rural Operating Assistance Program (ROAP)					
ROAP Elderly and Disabled Transportation Assistance Program					
Work project #36235.19.1.2 ROAP EDTAP		XXXX	-	52,886	-
ROAP Rural General Public Program					
Work project #36228.22.5.1 ROAP RGP		XXXX	-	56,336	-
ROAP Work First Transitional - Employment					
Work project #36235.19.2.2 ROAP WORK FIRST		XXXX	-	8,167	-
Total N.C. Department of Transportation			-	117,389	-
<u>N.C. Department of Public Safety</u>					
Division of Juvenile Justice & Delinquency Prevention					
30th District Multi-County Budget		XXXX	-	83,922	16,345
Total N.C. Department of Public Safety			-	83,922	16,345
Total State awards			-	1,836,995	534,645
Total federal and State awards			\$ 32,370,200	\$ 17,827,267	\$ 2,037,657

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

**1. Basis of Presentation**

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. Loans Outstanding**

Cherokee County had the following loan balances outstanding as of June 30, 2013. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	CFDA Number	Pass-through Grantor's Number	Amount Outstanding
N.C. Public Water Supply		XXXX	367,582
Community Facilities Loans and Grants	10.766	XXXX	944,507

3. The following are clustered by the N.C. Department of Health and Human Services and are treated separately for state audit requirement purposes: Foster Care and Adoption.