

**Cherokee County, North Carolina**  
**Financial Statements**  
**June 30, 2014**

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, 2014**

---

**COMMISSIONERS**

C.B. McKinnon - Chairman

Lorraine M. Meltz - Vice-Chair

Steve Jordan - Member

David Wood - 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 R. Anderson, 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

## Table of Contents

June 30, 2014

---

<u>Exhibit</u>		<u>Page</u>
	Financial Section	5
	Independent Auditors' Report	6 - 7
	Management's Discussion and Analysis	8 - 15
	Basic Financial Statements:	16
	Government-Wide Financial Statements:	
1	Statement of Net Position	17
2	Statement of Activities	18 - 19
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	20 - 21
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	22
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
6	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and Annually Budgeted Major Special Revenue Fund	24 - 25
7	Statement of Net Position - Proprietary Fund	26
8	Statement of Revenues, Expenditures, and Changes in Fund Net Position - Proprietary Fund	27
9	Statement of Cash Flows - Proprietary Fund	28
10	Statement of Fiduciary Net Position	29
	Notes of the Financial Statements	30 - 53
	Required Supplemental Financial Data:	54
	Law Enforcement Officers' Special Separation Allowance – Schedule of Funding Progress	55
	Law Enforcement Officers' Special Separation Allowance – Schedule of Employer Contributions	55
	Other Postemployment Benefits – Schedule of Funding Progress	56
	Other Postemployment Benefits – Schedule of Employer Contributions	56
	Combining and Individual Fund Statements and Schedules:	57
	General Fund and Revaluation Fund:	58
	Schedule of Revenues, Expenditures, and Changes in Fund Balances - General Fund - Budget and Actual	59 - 67
	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Revaluation Fund - Budget and Actual	68

# Cherokee County, North Carolina

## Table of Contents

June 30, 2014

---

Major Governmental Funds:	69
Schedule of Revenues, Expenditures, and Changes in Fund Balances	70
- Debt Service Fund - Budget and Actual	
Schedule of Revenues, Expenditures, and Changes in Fund Balances	71
- Courthouse Project Fund - Budget and Actual	
Non-major Governmental Funds:	72
Combining Balance Sheet - Non-major Governmental Funds	73
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	74
- Non-major Governmental Funds	
Combining Balance Sheet - Non-major Governmental Funds - Special Revenue Funds	75
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	76
- Non-major Governmental Funds - Special Revenue Funds	
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	
Emergency Telephone System Fund	77
Fire District Fund	78
Bear Paw Service District Fund	79
Housing Preservation Grant Fund	80
Combining Balance Sheet - Non-major Governmental Funds - Capital Project Funds	81
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	82
- Non-major Governmental Funds - Capital Project Funds	
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	
Water & Sewer Improvements	83
Capital Reserve Fund	84
Health Department Renovation and Expansion Capital Project	85
Airport Improvement Project	86
Enterprise Fund (Pool and Wellness Center):	87
Statement of Revenues, Expenditures - Budget and Actual (non-GAAP)	88
Agency Funds:	89
Combining Statement of Fiduciary Assets and Liabilities	90

# Cherokee County, North Carolina

## Table of Contents

June 30, 2014

---

Other Schedules:	91
General Fund Schedule of Ad Valorem Taxes Receivable	92
Analysis of Current Tax Levy- County Wide Levy	93
Emergency Telephone System Unspent Balance - PSAP Reconciliation	94
Schedule of Transfers	95
Compliance Section:	96
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 <i>Governmental Auditing Standards</i>	97 - 98
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	99 - 100
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	101 - 102
Schedule of Findings and Questioned Costs	103 - 104
Corrective Action Plan	105
Summary Schedule of Prior Year Audit Findings	106
Schedule of Expenditures of Federal and State Awards	107 - 110

---

## **FINANCIAL SECTION**

---

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

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

---

## Independent Auditors' Report

Board of County 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 unit, each major fund, and the aggregate remaining fund information of the Cherokee County, North Carolina, as of and for the year ended June 30, 2014, 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 auditors' 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, 2014, 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.

### ***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

*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 April 30, 2015 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

April 30, 2015



---

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

---

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

**June 30, 2014**

---

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, 2014. 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**

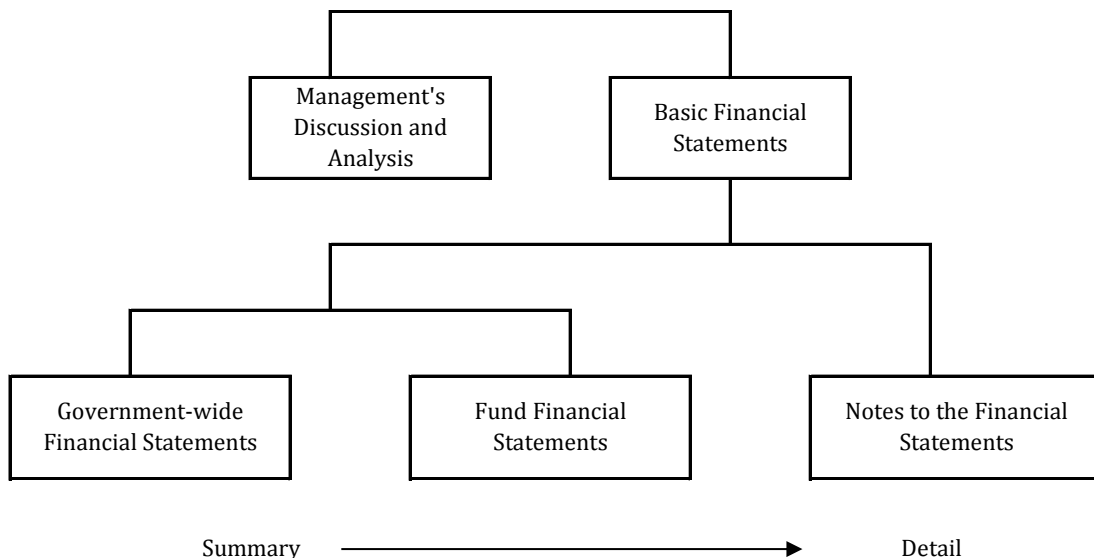
- The assets and deferred outflows of resources of Cherokee County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$35,387,903 (net position).
- The government's total net position increased by \$2,770,767, primarily due to management's focus on monitoring spending and maximizing revenue collection.
- As of the close of the current fiscal year, Cherokee County's governmental funds reported combined ending fund balances of \$21,203,045, after a net increase in fund balance of \$1,878,931. Approximately 49.34% of this total amount, or \$10,462,122, is restricted, committed, or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,740,923, or 30.97% of total general fund expenditures for the fiscal year.
- Cherokee County's debt decreased by \$2,993,513 (11.78% percent) during the current fiscal year. The key factor of this decrease was the principal payments on all debt and the payoff of the Pool & Wellness Center loan.

**Overview of the Financial Statements**

This discussion and analysis is 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 three categories: 1) governmental activities; 2) business-type activities; and 3) component units. 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 final category is the component unit. The Cherokee County Tourism Development Authority, which was created to promote activities and programs, which encourage travel and tourism in the area, is a public authority under North Carolina Statutes and is governed by a 7-member appointed board of directors.

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 \$35,387,903 as of June 30, 2014. The County's net position increased by \$2,770,767 for the fiscal year ended June 30, 2014. One of the largest portions \$28,904,225 (81.68%) 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 \$8,783,447 (24.82%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets in the amount of (\$2,299,769) 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	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and other assets	\$ 24,977,572	\$ 24,132,615	\$ 97,916	\$ 71,311	\$ 25,075,488	\$ 24,203,926
Internal balances	70,000	-	(70,000)	-	-	-
Capital assets	38,153,172	39,327,553	2,785,974	2,886,243	40,939,146	42,213,796
Total assets	63,200,744	63,460,168	2,813,890	2,957,554	66,014,634	66,417,722
<b>Liabilities</b>						
Long-term liabilities outstanding	27,612,296	29,348,060	522	948,166	27,612,818	30,296,226
Other liabilities	2,782,885	3,235,465	45,105	78,754	2,827,990	3,314,219
Total liabilities	30,395,181	32,583,525	45,627	1,026,920	30,440,808	33,610,445
Deferred inflows of resources	185,923	192,883	-	-	185,923	192,883
<b>Net position</b>						
Net investment in capital assets	26,118,251	25,693,770	2,785,974	1,941,737	28,904,225	27,635,507
Restricted	8,783,447	9,078,618	-	-	8,783,447	9,078,618
Unrestricted	(2,282,058)	(4,088,628)	(17,711)	(11,103)	(2,299,769)	(4,099,731)
Total net position	\$ 32,619,640	\$ 30,683,760	\$ 2,768,263	\$ 1,930,634	\$ 35,387,903	\$ 32,614,394

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 96.11%.
- The County has maintained stricter policies on spending and implemented cost savings measures.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget.

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

Figure 3

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 4,750,439	\$ 4,579,724	\$ 330,894	\$ 359,330	\$ 5,081,333	\$ 4,939,054
Operating grants and contributions	8,262,002	8,091,600	-	-	8,262,002	8,091,600
Capital grants and contributions	511,802	1,204,336	-	-	511,802	1,204,336
General revenues:						
Property taxes	17,846,101	17,776,840	-	-	17,846,101	17,776,840
Other taxes	5,585,433	5,398,734	-	-	5,585,433	5,398,734
Grants and contributions not restricted to specific programs	1,304,401	1,308,417	-	-	1,304,401	1,308,417
Other	985,919	180,404	4	2	985,923	180,406
Total revenues	39,246,097	38,540,055	330,898	359,332	39,576,995	38,899,387
Expenses:						
General government	3,425,846	3,384,915	-	-	3,425,846	3,384,915
Public safety	10,777,589	10,628,742	-	-	10,777,589	10,628,742
Transportation	1,476,824	1,624,372	-	-	1,476,824	1,624,372
Economic and physical development	1,089,109	1,080,455	-	-	1,089,109	1,080,455
Environmental protection	1,483,585	1,453,708	-	-	1,483,585	1,453,708
Human services	9,337,468	9,152,643	-	-	9,337,468	9,152,643
Cultural recreation	747,134	797,337	498,318	529,649	1,245,452	1,326,986
Education	7,586,597	6,196,711	-	-	7,586,597	6,196,711
Interest on long-term debt	383,758	427,233	-	-	383,758	427,233
Total expenses	36,307,910	34,746,116	498,318	529,649	36,806,228	35,275,765
Increase (decrease) in net position before transfers	2,938,187	3,793,939	(167,420)	(170,317)	2,770,767	3,623,622
Transfers	(1,005,049)	(94,545)	1,005,049	94,545	-	-
Increase in net position	1,933,138	3,699,394	837,629	(75,772)	2,770,767	3,623,622
Net position, beginning as restated	30,686,502	26,984,366	1,930,634	2,006,406	32,617,136	28,990,772
Net position, ending	\$ 32,619,640	\$ 30,683,760	\$ 2,768,263	\$ 1,930,634	\$ 35,387,903	\$ 32,614,394

**Governmental activities.** Governmental activities increased the County's net position by \$1,933,138 thereby accounting for 69.77% 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.
- Other revenues increased due to the release of a large portion of the County's reserve for workers compensation insurance.

**Business-type Activities.** Business-type activities increased the County's net position by \$837,629. Before transfers business-type activities resulted in a \$167,420 decrease in net position. The most significant change was due to the increase of transfers from the General Fund to pay off the Pool and Wellness Center debt.

### 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 per G.S. 159-8(a) in the General Fund was \$12,371,319 while total fund balance reached \$16,270,793. 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 cash flow needs of the County. The County currently has an available fund balance of 34.30% of general fund expenditures, while total fund balance represents 45.11% of the same amount. The County's unassigned fund balance, the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds was \$10,740,923 at the end of the current fiscal year. The County currently has an unassigned fund balance of 29.78% of general fund expenditures.

The governmental funds reported a combined fund balance of \$21,203,045, at June 30, 2014, an increase of 9.72%.

**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 \$2,023,722. 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 (\$17,711). The total increase in net position for the Pool and Wellness Center was \$837,629. 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, 2014, totals \$40,939,146 (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.

- Completed and capitalized improvements for the Health Department Project and Airport Improvement Project.
- Purchased vehicles for the Sheriff's Department and Transit Department.
- Purchased a dump truck for the Sanitation Department.
- Purchased transit real time scheduling equipment, a Polycom video conferencing device with software for the Sheriff's Department, batteries for the battery backup system, and updated equipment and wireless link for 911.
- Purchased property for and made improvements to the Candy Mountain convenience site.

#### 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, 2014:

Project	Spent-to-date	Remaining Commitment
Airport Improvements	\$ 760,883	\$ 1,117
Total	\$ 760,883	\$ 1,117

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Capital Assets:						
Land	\$ 6,756,632	\$ 6,700,183	\$ -	\$ -	\$ 6,756,632	\$ 6,700,183
Construction in progress	760,883	1,468,063	-	-	760,883	1,468,063
Land Improvements	57,377	-	-	-	57,377	-
Buildings	21,147,374	21,624,494	2,652,169	2,713,909	23,799,543	24,338,403
Other improvements	8,095,104	7,852,911	100,230	126,797	8,195,334	7,979,708
Equipment	680,331	707,605	33,575	45,537	713,906	753,142
Software	24,754	76,389	-	-	24,754	76,389
Computers & electronic equipment	154,800	253,566	-	-	154,800	253,566
Vehicles & motorized equipment	475,917	617,634	-	-	475,917	617,634
Total capital assets	<u>\$ 38,153,172</u>	<u>\$ 39,300,845</u>	<u>\$ 2,785,974</u>	<u>\$ 2,886,243</u>	<u>\$ 40,939,146</u>	<u>\$ 42,187,088</u>

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	
	2014	2013	2014	2013	2014	2013
Long-term debt:						
Installment purchases	\$ 22,408,385	\$ 24,457,392	\$ -	\$ 944,506	\$ 22,408,385	\$ 25,401,898
Landfill closure obligations	3,378,231	3,253,564	-	-	3,378,231	3,253,564
Other post employment benefits	998,713	858,045	-	-	998,713	858,045
Compensated absences	610,992	586,720	522	3,660	611,514	590,380
Pension benefit obligation	215,975	192,339	-	-	215,975	192,339
Total	<u>\$ 27,612,296</u>	<u>\$ 29,348,060</u>	<u>\$ 522</u>	<u>\$ 948,166</u>	<u>\$ 27,612,818</u>	<u>\$ 30,296,226</u>

Cherokee County's debt decreased by \$2,993,513 (11.78% percent) during the current fiscal year. The key factor of this decrease was the principal payments on all debt and the payoff of the Pool & Wellness Center loan.

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 \$223,720,107.

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, 2014, the County had an unemployment rate of 8.2%, higher than the statewide rate (not seasonally adjusted) of 6.5%.
- At June 30, 2014, forty-three counties had unemployment rates at or below the State's 6.5% percent rate.
- Even with a struggling economy and high unemployment, the County's unemployment rate decreased 3.8% from the prior year.
- The County has maintained stricter policies on spending and implemented cost savings measures.
- The growth of the County has been stagnant. However, with the future opening of the Harrah's Casino we anticipate a positive economic impact for our County.

**Budget Highlights for the Fiscal Year Ending June 30, 2015**

**Governmental Activities:** The property tax rate was maintained at 52 cents per \$100 of valuation to maintain current tax revenue streams. As the property tax remains the only revenue source controlled locally, a high collection rate remains imperative to provide an equitable distribution of taxes. Sales tax revenues account for the second largest, unrestricted, revenue source. Consumer spending continues to remain steady based on current fiscal year sales tax distribution received thus far. Other revenue sources that provide funding for operating expenditures have for the most part remained flat for the coming fiscal year. 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 2015 are \$35,313,605. This is a small increase from the prior year budget. This increase in the budget is due additional funding needed in the areas of Public Safety and Solid Waste. The County also continues to support the Cherokee County Board of Education and its continued loss of Small Schools Funding.

The County has chosen not to appropriate fund balance in the fiscal year 2015 budget. Management believes that increased revenues and continued restrictions on spending will maintain the County's financial position. As the County considers future revenue sources, it will weigh the benefit of increasing the property tax rate against the cost. Though management believes current growth will generate enough revenue to support County operations, a careful analysis of property tax revenue will be considered in future years' budgets.

**Business-Type Activities:** The budgeted expenditures for the Pool and Wellness Center are \$346,157, which represents a 16.35% 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.cherokeeconomy-nc.gov/> or send an email to [candy.anderson@cherokeeconomy-nc.gov](mailto:candy.anderson@cherokeeconomy-nc.gov) for more information.



---

## **BASIC FINANCIAL STATEMENTS**

---

## Cherokee County, North Carolina

## Statement of Net Position

June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Cherokee County Tourism Development Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,915,979	\$ 65,908	\$ 14,981,887	\$ 122,033
Restricted cash	319,158	24,900	344,058	-
Investments	4,861,139	-	4,861,139	-
Receivables (net)	4,811,941	7,108	4,819,049	-
Due from other governments	21,076	-	21,076	48,907
Inventories	48,279	-	48,279	-
Internal balances	70,000	(70,000)	-	-
Capital assets:				
Land, improvements, construction in progress	7,517,515	-	7,517,515	-
Other capital assets, net of depreciation	30,635,657	2,785,974	33,421,631	-
Total capital assets	38,153,172	2,785,974	40,939,146	-
Total assets	63,200,744	2,813,890	66,014,634	170,940
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	2,638,030	20,205	2,658,235	8,071
Accrued interest payable	144,855	-	144,855	-
Liabilities to be paid from restricted assets	-	24,900	24,900	-
Long-term liabilities:				
Due within one year	2,390,134	-	2,390,134	-
Due in more than one year	25,222,162	522	25,222,684	-
Total liabilities	30,395,181	45,627	30,440,808	8,071
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenue	185,923	-	185,923	-
Total deferred inflows of resources	185,923	-	185,923	-
<b>NET POSITION</b>				
Net investment in capital assets	26,118,251	2,785,974	28,904,225	-
Restricted for:				
Debt service	4,562,229	-	4,562,229	-
Transportation	(133,079)	-	(133,079)	-
Public safety	323,087	-	323,087	-
Economic development	108	-	108	-
Stabilization by State Statute	4,033,908	-	4,033,908	48,907
Human Services	(2,806)	-	(2,806)	-
Unrestricted (deficit)	(2,282,058)	(17,711)	(2,299,769)	113,962
Total net position	\$ 32,619,640	\$ 2,768,263	\$ 35,387,903	\$ 162,869

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, 2014**

<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	\$ 3,425,846	\$ 450,946	\$ 480
Public safety	10,777,589	3,036,231	454,924
Transportation	1,476,824	493,282	411,735
Economic and physical development	1,089,109	12,795	92,773
Environmental Protection	1,483,585	274,536	1,342,329
Human services	9,337,468	482,649	5,784,368
Cultural and recreation	747,134	-	-
Education	7,586,597	-	175,393
Interest on long-term debt	383,758	-	-
Total governmental activities	<u>36,307,910</u>	<u>4,750,439</u>	<u>8,262,002</u>
<b>Business-type activities:</b>			
Pool and Wellness Center	498,318	330,894	-
Total primary government	<u>\$ 36,806,228</u>	<u>\$ 5,081,333</u>	<u>\$ 8,262,002</u>
<b>Component unit:</b>			
Tourism Development Authority	<u>\$ 174,312</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>
\$ -	\$ (2,974,420)	\$ -	\$ (2,974,420)	
-	(7,286,434)	-	(7,286,434)	
201,169	(370,638)	-	(370,638)	
-	(983,541)	-	(983,541)	
26,017	159,297	-	159,297	
62,373	(3,008,078)	-	(3,008,078)	
-	(747,134)	-	(747,134)	
222,243	(7,188,961)	-	(7,188,961)	
-	(383,758)	-	(383,758)	
<u>511,802</u>	<u>(22,783,667)</u>	<u>-</u>	<u>(22,783,667)</u>	
			-	
-	-	(167,424)	(167,424)	
<u>\$ 511,802</u>	<u>(22,783,667)</u>	<u>(167,424)</u>	<u>(22,951,091)</u>	
<u>\$ -</u>				<u>\$ (174,312)</u>
	17,846,101	-	17,846,101	-
	5,075,827	-	5,075,827	-
	509,606	-	509,606	191,273
	1,304,401	-	1,304,401	-
	167,938	4	167,942	-
	817,981	-	817,981	-
	<u>25,721,854</u>	<u>4</u>	<u>25,721,858</u>	<u>191,273</u>
	(1,005,049)	1,005,049	-	-
	<u>24,716,805</u>	<u>1,005,053</u>	<u>25,721,858</u>	<u>191,273</u>
	1,933,138	837,629	2,770,767	16,961
	30,683,760	1,930,634	32,614,394	145,908
	2,742	-	2,742	-
	<u>30,686,502</u>	<u>1,930,634</u>	<u>32,617,136</u>	<u>145,908</u>
	<u>\$ 32,619,640</u>	<u>\$ 2,768,263</u>	<u>\$ 35,387,903</u>	<u>\$ 162,869</u>

## Cherokee County, North Carolina

## Balance Sheet

## Governmental Funds

June 30, 2014

	Major			Non-Major	Total Governmental Funds
	General Fund	Debt Service	Courthouse Project Fund	Total Non-Major Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 14,564,707	\$ -	\$ -	\$ 351,272	\$ 14,915,979
Restricted Cash	317,674	1,376	-	108	319,158
Investments	300,286	4,560,853	-	-	4,861,139
Receivables, net					
Taxes	819,556	-	-	133,679	953,235
Accounts	3,613,407	-	-	174,838	3,788,245
Due from other governments	16,323	-	-	4,753	21,076
Due from other funds	205,885	-	-	-	205,885
Inventories	48,279	-	-	-	48,279
Total assets	<u>\$ 19,886,117</u>	<u>\$ 4,562,229</u>	<u>\$ -</u>	<u>\$ 664,650</u>	<u>\$ 25,112,996</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,609,845	\$ -	\$ -	\$ 28,185	\$ 2,638,030
Due to other funds	-	-	-	135,885	135,885
Total liabilities	<u>2,609,845</u>	<u>-</u>	<u>-</u>	<u>164,070</u>	<u>2,773,915</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes receivable	819,556	-	-	130,557	950,113
Unearned revenue	<u>185,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,923</u>
Total deferred inflows of resources	<u>1,005,479</u>	<u>-</u>	<u>-</u>	<u>130,557</u>	<u>1,136,036</u>
Fund balances:					
Nonspendable:					
Inventories	48,279	-	-	-	48,279
Restricted:					
Stabilization by State Statute	3,851,195	-	-	182,713	4,033,908
Public safety	-	-	-	323,087	323,087
Transportation	-	-	-	(133,079)	(133,079)
Economic and physical development	-	-	-	108	108
Human services	-	-	-	(2,806)	(2,806)
Debt service	-	4,562,229	-	-	4,562,229
Committed:					
Tax revaluation	317,674	-	-	-	317,674
School capital outlay	1,188,422	-	-	-	1,188,422
Law enforcement	124,300	-	-	-	124,300
Assigned:					
Subsequent year's expenditures	-	-	-	-	-
Unassigned:					
Total fund balances	<u>16,270,793</u>	<u>4,562,229</u>	<u>-</u>	<u>370,023</u>	<u>21,203,045</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,886,117</u>	<u>\$ 4,562,229</u>	<u>\$ -</u>	<u>\$ 664,650</u>	<u>\$ 25,112,996</u>

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

**Cherokee County, North Carolina**

**Balance Sheet**

**Governmental Funds**

**June 30, 2014**

---

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

Total Fund Balances for Governmental Funds	\$ 21,203,045
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	38,153,172
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	70,461
Deferred inflows of resources for taxes and special assessments receivable	950,113
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.	<u>(27,757,151)</u>
Net position of governmental activities	<u><u>\$ 32,619,640</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, 2014**

	Major			Non-Major	Total Governmental Funds
	General Fund	Debt Service	Courthouse Project Fund	Total Non-Major Funds	
<b>REVENUES</b>					
Ad valorem taxes	\$ 16,540,416	\$ -	\$ -	\$ 1,834,485	\$ 18,374,901
Local option sales tax	5,075,827	-	-	-	5,075,827
Other taxes and licenses	509,606	-	-	-	509,606
Unrestricted intergovernmental	1,304,401	-	-	-	1,304,401
Restricted intergovernmental	7,034,011	-	-	451,393	7,485,404
Permits and fees	1,804,981	-	-	-	1,804,981
Sales and services	4,233,858	-	-	-	4,233,858
Investment earnings	14,950	149,016	-	340	164,306
Miscellaneous	819,757	-	-	-	819,757
Total revenues	<u>37,337,807</u>	<u>149,016</u>	<u>-</u>	<u>2,286,218</u>	<u>39,773,041</u>
<b>EXPENDITURES</b>					
Current:					
General government	3,132,920	-	-	279,739	3,412,659
Public safety	8,756,209	-	-	1,736,657	10,492,866
Transportation	1,058,613	-	-	73,997	1,132,610
Environmental protection	1,436,507	-	-	-	1,436,507
Economic and physical development	612,595	-	-	46,665	659,260
Human services	9,188,559	-	-	74,201	9,262,760
Cultural and recreational	489,225	-	-	-	489,225
Intergovernmental:					
Education	7,552,417	-	-	-	7,552,417
Debt service:					
Principal	2,049,007	-	-	-	2,049,007
Interest	401,750	-	-	-	401,750
Total expenditures	<u>34,677,802</u>	<u>-</u>	<u>-</u>	<u>2,211,259</u>	<u>36,889,061</u>
Revenues over (under) expenditures	<u>2,660,005</u>	<u>149,016</u>	<u>-</u>	<u>74,959</u>	<u>2,883,980</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	323,435	383,561	-	2,100	709,096
Transfers to other funds	<u>(1,390,710)</u>	<u>-</u>	<u>(267,224)</u>	<u>(56,211)</u>	<u>(1,714,145)</u>
Total other financing sources (uses)	<u>(1,067,275)</u>	<u>383,561</u>	<u>(267,224)</u>	<u>(54,111)</u>	<u>(1,005,049)</u>
Net change in fund balance	1,592,730	532,577	(267,224)	20,848	1,878,931
Fund balance, beginning as previously reported	14,672,919	4,029,652	267,224	349,175	19,318,970
Prior period adjustment	5,144	-	-	-	5,144
Fund balance, beginning as restated	<u>14,678,063</u>	<u>4,029,652</u>	<u>267,224</u>	<u>349,175</u>	<u>19,324,114</u>
Fund balances, ending	<u>\$ 16,270,793</u>	<u>\$ 4,562,229</u>	<u>\$ -</u>	<u>\$ 370,023</u>	<u>\$ 21,203,045</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, 2014**

---

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

Net changes in fund balances - total governmental funds	\$ 1,878,931
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	545,371
Depreciation	(1,717,976)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(1,776)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Change in accrued taxes receivable	(24,263)
Change in accrued investment earnings	3,632
Change in deferred tax revenue	(504,537)
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	2,049,007
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.	
(Increase) decrease in accrued interest payable	17,992
(Increase) decrease in compensated absences	(24,272)
(Increase) decrease in accrued landfill closure costs	(124,667)
(Increase) decrease in accrued other employment benefits	(140,668)
(Increase) decrease in accrued pension cost	(23,636)
Total changes in net position of governmental activities	\$ 1,933,138

*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, 2014**

	<b>General Fund</b>			<b>Variance with Final Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>REVENUES</b>				
Ad valorem taxes	\$ 15,802,540	\$ 16,247,980	\$ 16,540,416	\$ 292,436
Local option sales tax	4,892,910	4,892,910	5,075,827	182,917
Other taxes and licenses	435,000	468,100	509,606	41,506
Unrestricted intergovernmental	1,380,000	1,411,630	1,304,401	(107,229)
Restricted intergovernmental	6,330,955	6,817,872	7,034,011	216,139
Permits and fees	1,783,090	1,783,090	1,804,981	21,891
Sales and services	3,673,969	3,987,969	4,233,858	245,889
Investment earnings	20,100	20,100	14,617	(5,483)
Miscellaneous	103,492	816,127	819,757	3,630
Total revenues	<u>34,422,056</u>	<u>36,445,778</u>	<u>37,337,474</u>	<u>891,696</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,434,444	3,316,128	3,132,920	183,208
Public safety	8,555,301	9,079,474	8,756,209	323,265
Transportation	1,095,749	1,216,560	1,058,613	157,947
Environmental protection	1,355,799	1,534,673	1,436,507	98,166
Economic and physical development	598,261	662,536	612,595	49,941
Human services	9,062,319	9,596,274	9,188,559	407,715
Cultural and recreational	513,087	520,486	489,225	31,261
Education	6,791,657	7,673,077	7,552,417	120,660
Debt service:				
Principal retirement	2,008,843	2,049,843	2,049,007	836
Interest and fees	400,764	429,764	401,750	28,014
Total expenditures	<u>33,816,224</u>	<u>36,078,815</u>	<u>34,677,802</u>	<u>1,401,013</u>
Revenues over (under) expenditures	<u>605,832</u>	<u>366,963</u>	<u>2,659,672</u>	<u>2,292,709</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	323,436	323,435	(1)
Transfers to other funds	(459,032)	(1,484,891)	(1,415,710)	69,181
Total other financing sources (uses)	<u>(459,032)</u>	<u>(1,161,455)</u>	<u>(1,092,275)</u>	<u>69,180</u>
Fund balance appropriated / (additions)	(146,800)	794,492	-	(794,492)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,567,397</u>	<u>\$ 1,567,397</u>
Fund balance, beginning as previously reported			14,380,578	
Prior period adjustment			5,144	
Fund balance, beginning as restated			<u>14,385,722</u>	
Fund balance, ending			<u>\$ 15,953,119</u>	
A legally budgeted Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			333	
Transfer in from General Fund			25,000	
Expenditures			-	
Fund Balance, Beginning			292,341	
Fund Balance, Ending (Exhibit 4)			<u>\$ 16,270,793</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>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
105,000	105,000	149,016	44,016
-	-	-	-
<u>105,000</u>	<u>105,000</u>	<u>149,016</u>	<u>44,016</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>105,000</u>	<u>105,000</u>	<u>149,016</u>	<u>44,016</u>
383,562	383,562	383,561	(1)
-	-	-	-
<u>383,562</u>	<u>383,562</u>	<u>383,561</u>	<u>(1)</u>
(488,562)	(488,562)	-	488,562
<u>\$ -</u>	<u>\$ -</u>	532,577	<u>\$ 532,577</u>
		4,029,652	
		-	
		<u>4,029,652</u>	
		<u>\$ 4,562,229</u>	

**Cherokee County, North Carolina**  
**Statement of Net Position - Proprietary Fund**  
**Pool and Wellness Center**  
**June 30, 2014**

**ASSETS**

## Current assets:

Cash and cash equivalents	\$	65,908
Restricted cash		24,900
Receivables, net		7,108
Total current assets		97,916

## Noncurrent assets:

## Capital assets:

Other capital assets, net of depreciation		2,785,974
Total noncurrent assets		2,785,974

Total assets		2,883,890
--------------	--	-----------

**LIABILITIES**

## Current liabilities:

Accounts payable		7,994
Accrued wages		12,211
Due to other funds		70,000
Liabilities to be paid from restricted assets		24,900
Total current liabilities		115,105

## Noncurrent liabilities:

Compensated absences		522
Total noncurrent liabilities		522

Total liabilities		115,627
-------------------	--	---------

**NET POSITION**

Net investment in capital assets		2,785,974
Unrestricted		(17,711)
Total net position		\$ 2,768,263

*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, 2014

**OPERATING REVENUES**

Membership & fees	\$ 330,894
Total operating revenues	<u>330,894</u>

**OPERATING EXPENSES**

Salaries & employee benefits	218,507
Supplies	21,819
Travel	2,377
Utilities	79,562
Advertising	2,652
Maintenance	17,374
Other	42,600
Depreciation	100,269
Interest	13,158
Total operating expenses	<u>498,318</u>
Operating income (loss)	<u>(167,424)</u>

**NONOPERATING REVENUES (EXPENSES)**

Interest revenue	<u>4</u>
Total nonoperating expenses	<u>4</u>
Income (loss) before contributions and transfers	(167,420)

Capital contributions	-
Transfers from other funds	<u>1,005,049</u>
Change in net position	837,629
Total net position, beginning	<u>1,930,634</u>
Total net position, ending	<u><u>\$ 2,768,263</u></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, 2014**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 336,416
Cash paid for goods and services	(217,595)
Cash paid to employees for services	(218,649)
Customer deposits returned	<u>(5,700)</u>
Net cash used by operating activities	<u>(105,528)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Decrease in amount due to General Fund	70,000
Transfers from other funds	<u>1,005,049</u>
Net cash provided (used) by noncapital financing activities	<u>1,075,049</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition and construction of capital assets	-
Principal paid on bond maturities and equipment contracts	(944,506)
Capital contributions	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(944,506)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest and dividends received	4
Purchase of investments	-
Proceeds from the sale or maturity of investments	<u>-</u>
Net cash provided (used) by investing activities	<u>4</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:</b>	25,019
Cash and cash equivalents, beginning	<u>65,789</u>
Cash and cash equivalents, ending	<u>\$ 90,808</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	<u>\$ (167,424)</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	(1,586)
Increase (decrease) in accounts payable and accrued liabilities	(27,949)
Increase (decrease) in customer deposits	(5,700)
Increase (decrease) in compensated absences payable	<u>(3,138)</u>
Total adjustments	<u>61,896</u>
Net cash provided (used) by operating activities	<u>\$ (105,528)</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, 2014**

---

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 160,230</u>
<b>LIABILITIES AND NET POSITION</b>	
Liabilities:	
Miscellaneous liabilities	151,376
Intergovernmental payables - State of North Carolina	<u>8,854</u>
Total liabilities	<u>160,230</u>
Net position:	<u>\$ -</u>

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

# Cherokee County, North Carolina

## Notes to the Financial Statements

For the Year Ended June 30, 2014

---

<b>Contents</b>	<b>Page</b>
<b>I. Summary of Significant Accounting Policies</b>	32 - 39
<b>A.</b> Reporting Entity	32
<b>B.</b> Basis of Presentation, Basis of Accounting	32 - 34
<b>C.</b> Budgetary Data	34 - 35
<b>D.</b> Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity	35 - 39
1. Deposits and Investments	35
2. Cash and Cash Equivalents	35
3. Restricted Assets	35
4. Ad Valorem Taxes Receivable	35
5. Allowance for Doubtful Accounts	36
6. Inventories and Prepaid Items	36
7. Capital Assets	36
8. Deferred Outflows/Inflows of Resources	36
9. Long-Term Obligations	36
10. Compensated Absences	36
11. Net Position/Fund Balances	37 - 38
12. Estimates	38
13. Prior Period Adjustment	38
<b>E.</b> Reconciliation of Government-wide and Fund Financial Statements	39
1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.	39
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.	39
<b>II. Stewardship, Compliance and Accountability</b>	40
<b>A.</b> Noncompliance with North Carolina General Statutes	40
<b>B.</b> Excess of Expenditures over Appropriations	40

**Cherokee County, North Carolina**

**Notes to the Financial Statements**

**For the Year Ended June 30, 2014**

---

<b>Contents</b>	<b>Page</b>
<b>III. Detail Notes on All Funds</b>	40 - 52
<b>A. Assets</b>	40 - 43
1. Deposits	40
2. Investments	40 - 41
3. Property Tax - Use-Value Assessment on Certain Lands	41
4. Receivables	41
5. Capital Assets	42 - 43
<b>B. Liabilities</b>	43 - 51
1. Payables	43
2. Pension Plan and Other Postemployment Obligations	43 - 48
3. Closure and Postclosure Care Costs - Cherokee County Landfill Facility	48
4. Deferred Outflows and Inflows of Resources	48
5. Risk Management	48
6. Contingent Liabilities	49
7. Long-Term Obligations	49 - 51
<b>C. Interfund Balances and Activity</b>	51
<b>D. Net Investment in Capital Assets</b>	51
<b>E. Fund Balance</b>	52
<b>IV. Joint Ventures</b>	52
<b>V. Jointly Governed Organizations</b>	52
<b>VI. Benefit Payments Issued by the State</b>	53
<b>VII. Summary Disclosure of Significant Commitments and Contingencies</b>	53
<b>VIII. Significant Effects of Subsequent Events</b>	53



# Cherokee County, North Carolina

## Notes to the Financial Statements

For the Year Ended June 30, 2014

---

### 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 in 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.

**Basis of Presentation, Measurement Focus, Basis of Accounting (continued)**

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 Trust 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 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.

*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, 2014, 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.

*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.

**Basis of Presentation, Measurement Focus, Basis of Accounting (continued)**

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's 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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in 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.

**C. Budgetary Data (continued)**

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 and the Cherokee County Tourism Development Authority are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and the Tourism Development Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County and the Tourism Development Authority 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 and the Development Authority 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 and the Tourism Development Authority's 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).

**Cherokee County Restricted Cash**

<b>Governmental Activities</b>		
General Fund	Tax revaluation	\$ 317,674
Debt Service Fund	Unexpended funds for QZAB	1,376
Housing Preservation Grant Fund	Unexpended grant proceeds	108
Total Governmental Activities		<u>319,158</u>
<b>Business-Type Activities</b>		
Pool and Wellness Center	Unearned membership fees	\$ 24,900
Total Business-Type Activities		<u>24,900</u>
Total Restricted Cash		<u>\$ 344,058</u>

**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, 2013.

**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 & electronic 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 on the statements 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 Emergency Telephone System Fund was overstated at June 30, 2014 in the amount of \$2,402 due to additional eligible expenditures per the 911 Board. The overstatement in the Emergency Telephone System Fund contributed to a corresponding understatement of expenditures in the General Fund of \$2,402. In addition, due to sequestration, \$2,742 in lottery proceeds was inadvertently not recorded. These two items combined resulted in a \$5,144 understatement of General Fund Balance.

Emergency Telephone System Fund balance, beginning as previously reported	\$	275,553
Eligible expenditures made in the prior fiscal year	<u>(2,402)</u>	
Net prior period adjustment		<u>(2,402)</u>
Emergency Telephone System Fund balance, beginning as restated	<u>\$</u>	<u>273,151</u>
General Fund balance, beginning as previously reported	\$	14,380,578
Adjustment for Emergency Telephone System Fund	2,402	
Lottery proceeds receivable	<u>2,742</u>	
Net prior period adjustment		<u>5,144</u>
General Fund balance, beginning as restated	<u>\$</u>	<u>14,385,722</u>

*Governmental Activities:* The beginning receivables on the Government-Wide statements were understated by the abovementioned \$2,742 in lottery proceeds which resulted in an understatement of Net Position.

Governmental Activities Net position, beginning as previously reported	\$	30,683,760
Fund balance restatement - lottery proceeds receivable	<u>2,742</u>	
Net prior period adjustment		<u>2,742</u>
Governmental Activities Net position, beginning as restated	<u>\$</u>	<u>30,686,502</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 \$11,416,595 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)	\$ 54,978,797
Less accumulated depreciation	(16,825,625)
Net capital assets	<u>38,153,172</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	70,461
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide	950,113
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	(22,408,385)
Compensated absences	(610,992)
Other postemployment benefits	(998,713)
Landfill closure costs	(3,378,231)
Pension benefit obligation	(215,975)
Accrued interest payable	(144,855)
Total adjustment	<u>\$ 11,416,595</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 \$54,207 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 545,371
Cost of disposed capital asset not recorded in fund statements	(1,776)
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	(1,717,976)
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	2,049,007
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	17,992
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(24,272)
Other postemployment benefits	(140,668)
Pension benefits	(23,636)
Landfill closure cost	(124,667)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	3,632
Increase in deferred inflows of resources - taxes receivable - at end of year	(504,537)
Increase in accrued taxes receivable at end of year	(24,263)
Total adjustment	<u>\$ 54,207</u>



**II. Stewardship, Compliance, and Accountability****A. Noncompliance with North Carolina General Statutes**

The audited financial statements and the Annual Financial Information Report (AFIR) were not submitted timely in accordance with State law. The North Carolina Local Government Budget and Fiscal Control Act (G.S. 159-34) states that each unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year. Also, units subject to OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations are required to submit their audited financial statements to the Federal Clearinghouse 30 days after their release but no later than nine months after the end of the unit's fiscal year. Also, the North Carolina Local Government Budget and Fiscal Control Act (G.S. 159-33.1) states that the AFIR for the local government shall be submitted to the Local Government Commission within four months of the fiscal year end. The County is in the process of examining the systems and processes in place regarding financial reporting. The Finance Director/Officer is implementing policies to strengthen existing controls. The Finance Director/Officer and the Board are working to develop and incorporate measures to ensure that the data is collected, reviewed and reported accurately and timely.

**B. 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, 2014, expenditures made in the County's Airport Improvement Project Fund exceeded the authorized appropriations made by the governing board for the Aviation access driveway 41.12.1 project by \$4,038. This over-expenditure occurred because of unexpected overages during construction. Management will continue to monitor budgets monthly and make necessary

**III. Detail Notes on All Funds****A. Assets****1. Deposits**

The deposits of the County and the Cherokee County Tourism Development Authority 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 and the Authority'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 and the Authority, 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, the Authority 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 County and the Authority have no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County and the Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2014, the County's deposits had a carrying amount of \$15,483,200 a bank balance of \$15,844,173. Of the \$15,844,173 combined bank balance, \$373,873 was covered by federal depository insurance, and \$15,470,300 in deposits was covered by collateral held under the Pooling Method.

At June 30, 2014, Cherokee County had \$2,975 cash on hand.

Also, at June 30, 2014, the deposits of the Tourism Development Authority, a component unit of the County, had a carrying value of \$122,033 and a bank balance of \$134,844, all of which was covered by federal depository insurance.

**2. Investments**

At June 30, 2014, the County's investment balances were as follows:

Investment Type	Cost	Less Than 6 Months
Commercial Paper	\$ 2,435,847	\$ 2,435,847
FHLB Discount Note	2,124,302	2,124,302
NC Capital Management Trust:		
Cash Portfolio	300,990	N/A
Total:	\$ 4,861,139	\$ 4,560,149

**2. Investments (continued)**

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

*Credit Risk.* The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2014, 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, 2014. 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 \$2,435,847 investment in commercial paper and \$2,124,302 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 50% 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.

Year Levied	Tax	Interest	Total
2010	\$ 1,240,896	\$ 304,020	\$ 1,544,916
2011	1,274,288	197,514	1,471,802
2012	835,685	54,320	890,005
2013	873,241	-	873,241
Total	\$ 4,224,110	\$ 555,854	\$ 4,779,964

**4. Receivables**

Receivables at the government-wide level at June 30, 2014, were as follows:

	Accounts Receivable	Taxes Receivable	Interest Receivable	Special Assessments	Total
Governmental Activities:					
General	\$ 3,667,581	\$ 1,364,769	\$ 70,461	\$ -	\$ 5,102,811
Other governmental	174,838	133,679	-	-	308,517
Total receivables	3,842,419	1,498,448	70,461	-	5,411,328
Allowance for doubtful accounts	(54,174)	(545,213)	-	-	(599,387)
Total-governmental activities	\$ 3,788,245	\$ 953,235	\$ 70,461	\$ -	\$ 4,811,941
Business-type Activities:					
Pool and Wellness Center	\$ 7,108	\$ -	\$ -	\$ -	\$ 7,108
Total-business-type activities	\$ 7,108	\$ -	\$ -	\$ -	\$ 7,108

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

Local government sales and use taxes	\$ 21,076
Total	\$ 21,076

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

Capital assets activity for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Governmental Activities:					
Capital assets not being depreciated					
Land	\$ 6,700,183	\$ 56,449	\$ -	\$ -	\$ 6,756,632
Construction in progress	1,468,063	77,093	(784,273)	-	760,883
Total capital assets not being depreciated	8,168,246	133,542	(784,273)	-	7,517,515
Capital assets being depreciated					
Land improvements	28,238	32,215	-	-	60,453
Buildings	26,039,274	30,203	-	-	26,069,477
Other improvements	13,179,697	14,653	784,273	-	13,978,623
Equipment	1,624,060	105,137	-	31,061	1,698,136
Software	528,474	-	-	-	528,474
Computers & electronic equipment	1,603,198	57,606	-	262,379	1,398,425
Vehicles & motorized equipment	3,660,222	172,015	-	104,543	3,727,694
Total capital assets being depreciated	46,663,163	411,829	784,273	397,983	47,461,282
Less accumulated depreciation for:					
Land Improvements	1,530	1,546	-	-	3,076
Buildings	4,414,780	507,323	-	-	4,922,103
Other improvements	5,326,786	556,733	-	-	5,883,519
Equipment	916,455	131,845	-	30,495	1,017,805
Software	452,085	51,635	-	-	503,720
Computers & other electronic equipment	1,349,632	155,162	-	261,169	1,243,625
Vehicles & motorized equipment	3,042,588	313,732	-	104,543	3,251,777
Total accumulated depreciation	15,503,856	1,717,976	-	396,207	16,825,625
Total capital assets being depreciated, net	31,159,307				30,635,657
Governmental activities capital assets, net	\$ 39,327,553				\$ 38,153,172

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

General government	\$ 270,846
Public safety	569,007
Transportation	460,184
Economic and physical development	26,373
Human services	102,853
Environmental protection	254,533
Cultural and recreational	34,180
Total depreciation expense	\$ 1,717,976

**5. Capital Assets (continued)**

	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	373,110	61,740	-	-	434,850
Other improvements	143,434	26,567	-	-	170,001
Equipment	74,081	11,962	-	-	86,043
Computers & other electronic equipment	7,613	-	-	-	7,613
Total accumulated depreciation	598,238	100,269	-	-	698,507
Total capital assets being depreciated, net	2,886,243				2,785,974
Business type capital assets, net	\$ 2,886,243				\$ 2,785,974

**Construction commitments**

The County has the following active construction commitments with contractors at June 30, 2014:

Project	Spent-to-date	Remaining Commitment
Airport Improvements	\$ 760,883	\$ 1,117
Total	\$ 760,883	\$ 1,117

**B. Liabilities****1. Payables**

Payables at the government-wide level at June 30, 2014, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 463,115	\$ 2,146,730	\$ 2,609,845
Other governmental	28,185	-	28,185
Total governmental activities	\$ 491,300	\$ 2,146,730	\$ 2,638,030
Business-type Activities:			
Pool and Wellness Center	\$ 7,782	\$ 12,423	\$ 20,205
Total business-type activities	\$ 7,782	\$ 12,423	\$ 20,205

**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 (LERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LERS 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 LERS. 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, 2014, 2013, and 2012 were \$713,599, \$686,444, and \$691,583, 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 0.85 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, 2014 was determined as part of the December 31, 2012 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	\$ 32,445
Interest on net pension obligation	9,617
Adjustment to annual required contribution	<u>(10,664)</u>
Annual pension cost	31,398
Employer contributions made for fiscal year ending June 30, 2012	<u>(7,762)</u>
Increase in net pension obligation	23,636
Net pension obligation at beginning of year	<u>192,339</u>
Pension obligation at end of fiscal year	<u><u>\$ 215,975</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
06/30/2012	\$ 31,811	24.40%	\$ 173,783
06/30/2013	\$ 28,739	27.01%	\$ 192,339
06/30/2014	\$ 31,398	24.72%	\$ 215,975

**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 December 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, 2014 were \$66,917, which consisted of \$51,681 from the County and \$15,236 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, 2014, the County's required and actual contributions were \$2,910.

**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, 2014, the County paid \$41,400 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 \$530 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 \$41,400 or 0.47% 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 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	\$ 166,487
Interest on net OPEB obligation	34,322
Adjustment to annual required contribution	(32,788)
Annual OPEB cost (expense)	168,021
Contributions made	(27,353)
Increase (decrease) in net OPEB obligation	140,668
Net OPEB obligation, beginning of year	858,045
Net OPEB obligation, end of year	\$ 998,713

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2014 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
2012	\$ 205,250	31.10%	\$ 679,347
2013	\$ 206,051	13.30%	\$ 858,045
2014	\$ 168,021	16.28%	\$ 998,713

*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 5% to 8.5% 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, 2014, 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, 2014, the County made contributions for death benefits of \$7,929.



**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 \$3,378,231 as landfill closure and postclosure care liability at June 30, 2014 represents a cumulative amount reported to-date based on the use of 97.95 percent of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$60,654 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 2014. 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 postclosure 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**

	Unavailable Revenue	Unearned Revenue
Taxes receivable, net (General), less penalties	\$ 819,556	\$ -
Taxes receivable, net (Special Revenue)	130,557	-
Prepaid taxes not yet earned (General)	-	185,923
Total	<u>\$ 950,113</u>	<u>\$ 185,923</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 \$51,931,470 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. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of a \$500,000, up to a \$2 million limit for liability coverage, and \$1,750,000 of each loss in excess of a \$250,000 per occurrence retention for property, and auto physical damage. For workers' compensation there is a per occurrence retention of \$750,000.

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 \$2,510,107.

In accordance with G.S. 159-29, County's employees who have access to \$100 or more of the County's funds at any given time 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 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 \$500,000. Individuals holding positions requiring statutory bonds are covered elsewhere.

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**

On June 30, 2014, 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 Purchases**

As authorized by State law [G.S.160A-20 and 153A-158.1], the County has financed various property acquisitions and improvements including equipment, vehicles, software, buildings and improvements, and water system improvements. Some of the installment purchases are for property improvements and additions for use by the Cherokee County Board of Education. These installment purchase were issued pursuant to deeds of trust that require that legal title remain with the County as long as the debts are outstanding. The County has entered into leases with Cherokee County Board of Education that transfer the rights and responsibilities for maintenance and insurance of the properties to the Board of Education. The leases call for nominal annual lease payments and also contain bargain purchase options. The lease terms are the same as that of the installment purchase obligations. Due to the economic substance of the transactions, the capital assets associated with the installment purchase obligations are recorded by the Board of Education.

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

**Governmental Activities**Serviced by the County's General Fund

On June 21, 2001, the County entered into a \$278,000 installment purchase with Branch Banking Trust Company for an office building. The installment purchase requires 60 quarterly payments of \$6,663, including interest at 5.07%. The installment purchase matures in June 21, 2016.	\$ 50,391
On December 17, 2002, the County entered into a \$1,750,000 installment purchase with Bank of America, N.A. for school improvements. The installment purchase requires 32 semi-annual principal payments of \$58,333, plus interest at 4.31%. The installment purchase matures in December 17, 2017.	408,333
On December 18, 2002, the County entered into a \$3,250,000 QZAB installment purchase Bank of America thru US Bank National Association for school improvements. The installment purchase requires 1 payment of \$3,250,000 on December 18, 2016, including interest at 0%.	3,250,000
On July 16, 2004, the County entered into a \$3,500,000 QZAB installment purchase with Bank of America thru US Bank National Association for school improvements. The installment purchase requires 1 payment of \$3,500,000, on July 16, 2018 , including interest at 0%.	3,500,000
On November 30, 2005, the County entered into a \$565,507 installment purchase with NC DENR for water improvements. The installment purchase requires 30 annual principal payments of \$28,275, plus interest at 2.205%. The installment purchase matures in May 1, 2026.	339,304
On March 10, 2006, the County entered a \$450,000 installment purchase with Branch Banking Trust Company for school improvements. The installment purchase requires 30 annual principal payments of \$30,000, plus interest at 4.03%. The installment purchase matures in March 10, 2021.	210,000
On September 19, 2008, the County entered into a \$1,800,000 installment purchase with Regions Bank for school improvements. The installment purchase requires 30 semi-annual payments of \$30,000, plus interest at 3.79%. The installment purchase matures in September 19, 2023.	1,140,000
On August 14, 2008, the County entered into a \$1,371,355 QZAB installment purchase with Rocky Mountain Bank thru Heartland Financial USA, Inc. for school improvements. The installment purchase requires 14 annual payments of \$97,954, including interest at 0%. The installment purchase matures in August 14, 2022.	881,585
On December 28, 2010, the County entered into a \$8,158,780 installment purchase with Branch Banking & Trust Company for renovations and additions to the Courthouse. The installment purchase requires 11 annual payments of \$764,486, plus interest at 2.39%. The installment purchase matures in December 28, 2021.	6,091,889
On December 28, 2010, the County entered into a \$1,216,000 installment purchase with Branch Banking & Trust Company for the acquisition of the Department of Social Services Building. The installment purchase requires 15 annual principal payments of \$81,066, plus interest at 5.50%. The installment purchase matures in December 28, 2025.	972,802

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

On December 28, 2010, the County entered into a \$184,000 installment purchase with Branch Banking & Trust Company for the acquisition of the Department of Social Services Building. The installment purchase requires 15 annual principal payments of \$12,266, plus interest at 5.50%. The installment purchase matures in December 28, 2025. 147,202

On December 21, 2010, the County entered into a \$1,282,886 installment purchase with Bank of America, N.A. for the Andrews High School Renovation. The installment purchase requires 30 semi-annual payments of \$42,763, plus interest at 5.67%. The installment purchase matures in December 21, 2025. This is a Qualified School Construction Bond and interest paid is refundable. 983,546

On April 10, 2012, the County entered into an installment purchase with PNC Bank, National Association for \$5,700,000 to refinance the purchase of the Detention Center and Sheriff's Office. The installment purchase requires 18 semi-annual principal payments of \$316,667, plus interest at 1.99%. The installment purchase matures on April 10, 2021. 4,433,333

\$ 22,408,385

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 1,991,134	\$ 419,912
2016	1,992,401	366,947
2017	5,216,573	314,432
2018	1,908,239	262,738
2019	5,349,906	214,817
2020-2024	5,578,607	441,505
2025-2029	371,525	24,526
Total	<u>\$ 22,408,385</u>	<u>\$ 2,044,877</u>

**Business-type Activities**

During the fiscal year ended June 30, 2014, the County paid the entire principal balance due on the Pool and Wellness Center debt in the amount of \$944,506.

Debt Related to Capital Activities - Of the total Governmental Activities debt listed only \$12,034,921 relates to assets the County holds title. There is no unspent restricted cash related to this debt at June 30, 2014.

**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, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<b>Government Activities:</b>					
Installment purchases	\$ 24,457,392	\$ -	\$ 2,049,007	\$ 22,408,385	\$ 1,991,134
Landfill closure costs	3,253,564	124,667	-	3,378,231	-
Other post employment benefits	858,045	168,021	(27,353)	998,713	-
Compensated absences	586,720	423,916	399,644	610,992	399,000
Pension benefit obligation	192,339	31,398	(7,762)	215,975	-
Total Government activities	<u>\$ 29,348,060</u>	<u>\$ 748,002</u>	<u>\$ 2,413,536</u>	<u>\$ 27,612,296</u>	<u>\$ 2,390,134</u>
<b>Business-type activities:</b>					
Installment purchases	\$ 944,506	\$ -	\$ 944,506	\$ -	\$ -
Compensated absences	3,660	2,192	5,330	522	-
Total business-type activities	<u>\$ 948,166</u>	<u>\$ 2,192</u>	<u>\$ 949,836</u>	<u>\$ 522</u>	<u>\$ -</u>

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 is earned.

**C. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2014, consist of the following:

Due to the General Fund from:

Health Department Renovation and Expansion Capital Project	\$ 2,806
Airport Improvement	133,079
Pool and Wellness Center	70,000
Total	<u>\$ 205,885</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, 2014, 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	2,100
From the General Fund to the Revaluation Fund to provide resources for the next property revaluation	25,000
From the General Fund to the Pool and Wellness Fund to provide operating support	1,005,049
From the Courthouse Project Fund to the General Fund to return excess funds upon completion of the project	267,224
From the Water and Sewer Improvement Fund to the General Fund to return excess funds upon completion of the project	5,166
From the Airport Improvement Fund to the General Fund to return excess funds upon completion of the project	9,206
From the Capital Reserve Fund to the General Fund to return excess funds upon completion of the project	41,839
Total	<u>\$ 1,739,145</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. Net Investment in Capital Assets**

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 38,153,172	\$ 2,785,974
Less: gross long-term debt	(22,408,385)	-
Add: school debt for assets to which the county does not hold title	10,373,464	-
Net capital debt	(12,034,921)	-
Net investment in capital assets	<u>\$ 26,118,251</u>	<u>\$ 2,785,974</u>

**E. 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>\$ 16,270,793</b>
Less:	
Inventories	48,279
Stabilization by State Statute	3,851,195
Tax Revaluation	317,674
School Capital Outlay	1,188,422
Law Enforcement	124,300
Appropriated Fund Balance in 2015 budget	-
Working Capital/ Fund Balance Policy	10,740,923
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.

<i>Encumbrances</i>	<i>General Fund</i>
Southwestern Communication	\$ 2,000
Stryker Flex Financial	13,580
Total	<u><u>\$ 15,580</u></u>

**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, 2014. 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, 2014. 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, 2014. The County was the sub recipient of a grant for \$345,156 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	\$ 62,045	\$ -
Medicaid	29,405,237	16,249,245
WIC	599,282	-
Food stamp program	6,497,431	-
Payments to elderly and disabled	-	250,788
Adoption assistance	246,283	64,675
Energy assistance	144,700	-
Title IV-E, foster care	226,253	62,464
Total	<u>\$ 37,181,231</u>	<u>\$ 16,627,172</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, 2014 and April 30, 2015, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

On October 3, 2014, the County entered into a \$586,520 installment purchase for the purchase of four new ambulances. This installment purchase requires six annual payments of \$106,483, including interest at 2.5%. The installment purchase matures in October 2020.

On February 6, 2015, former Cherokee County sheriff Keith Lovin filed a lawsuit against the County. The lawsuit alleges that the County incorrectly calculated the amount of his supplemental retirement benefits which resulted in Mr. Lovin being paid less than he would have been if the calculations had been computed correctly. The County calculated the amount of this benefit payment based on guidance from the State Attorney General's Office. In the lawsuit Mr. Lovin is seeking to recover amounts that he feels should have been paid to him and to insure that he receives correctly calculated payments in the future. As any impact of this lawsuit had not been determined at the date of the financial statement report, no provision had been made in the financial statements regarding this matter.

## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

---

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

---

Law Enforcement Officers' Special Separation Allowance

*Schedule of Funding Progress*

*Schedule of Employer Contributions*

Other Postemployment Benefits

*Schedule of Funding Progress*

*Schedule of Employer Contributions*

**Cherokee County, North Carolina**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
12/31/2006	\$ -	\$ 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
2012	31,811	24.40%
2013	28,739	27.01%
2014	31,398	24.72%

**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)
12/31/2010	\$ -	\$ 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
2012	205,250	28.96%
2013	204,836	13.30%
2014	168,021	16.28%

**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%

---

Combining and Individual Fund  
Statements and Schedules

---

# **GENERAL FUND AND REVALUATION FUND**

---

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

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

---

**Cherokee County, North Carolina**

**General Fund**

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

**For the Fiscal Year Ended June 30, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Ad valorem taxes:			
Current year taxes		\$ 16,266,799	
Penalties and interest		273,617	
Total	<u>\$ 16,247,980</u>	<u>16,540,416</u>	<u>\$ 292,436</u>
Local option sales taxes:			
Article 39 one percent		2,411,127	
Article 40 one-half of one percent		1,434,322	
Article 42 one-half of one percent		1,228,299	
Article 44 one-half of one percent		2,079	
Total	<u>4,892,910</u>	<u>5,075,827</u>	<u>182,917</u>
Other taxes and licenses:			
Register of deeds - excise tax		201,398	
Car rental tax		5,979	
Local occupancy tax		203,507	
Solid Waste Disposal Tax		19,657	
Franchise Tax		38,405	
State and Federal Drug Tax		38,755	
Civil licenses		1,905	
Total	<u>468,100</u>	<u>509,606</u>	<u>41,506</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes		1,304,257	
Fuel tax reimbursements		144	
Total	<u>1,411,630</u>	<u>1,304,401</u>	<u>(107,229)</u>
Restricted intergovernmental:			
ABC bottle fees		9,819	
Court facility fees		31,981	
Health Department grants		40,240	
Health Department state revenues		1,041,683	
Juvenile Crime Prevention		98,645	
Lottery proceeds		222,243	
Other grants		137,226	
Transportation ROAP		130,932	
Senior Center		188,593	
Social Services		4,502,581	
Tire Disposal Tax Grant		53,805	
Transportation		400,870	
US Forest Service Timber		175,393	
Total	<u>6,817,872</u>	<u>7,034,011</u>	<u>216,139</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, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES (continued)</b>			
Permits and fees:			
Building permits		174,501	
Fire arm permits		29,185	
Fire inspections		4,135	
Landfill user fees		1,288,399	
Precious metal permits		1,088	
Register of deeds		194,023	
Water and septic permits		113,650	
Total	<u>1,783,090</u>	<u>1,804,981</u>	<u>21,891</u>
Sales and services:			
Ambulance fees		1,577,756	
Aviation gas sales		89,186	
Health Department fees		443,736	
Landfill tipping fees		160,886	
Jet fuel sales		117,393	
Other sales		131,437	
Personnel fees		85,207	
Rents, concessions, and fees		105,256	
Sheriff & jail fees		1,250,392	
Transportation fees		271,595	
Vehicle tax collection fees		1,014	
Total	<u>3,987,969</u>	<u>4,233,858</u>	<u>245,889</u>
Investment earnings	<u>20,100</u>	<u>14,617</u>	<u>(5,483)</u>
Miscellaneous:			
ABC Store Distributions		33,000	
Insurance proceeds		16,843	
Other		769,914	
Miscellaneous	<u>816,127</u>	<u>819,757</u>	<u>3,630</u>
Total revenues	<u>36,445,778</u>	<u>37,337,474</u>	<u>891,696</u>
<b>EXPENDITURES</b>			
General government:			
Governing body:			
Salaries and employee benefits		128,962	
Operating expenditures		87,850	
Total	<u>241,198</u>	<u>216,812</u>	<u>24,386</u>
Administration:			
Salaries and employee benefits		156,569	
Operating expenditures		8,902	
Total	<u>168,998</u>	<u>165,471</u>	<u>3,527</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, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General government (continued):			
Board of Elections:			
Salaries and employee benefits		162,782	
Operating expenditures		54,740	
Total	<u>267,726</u>	<u>217,522</u>	<u>50,204</u>
Information Technology:			
Salaries and employee benefits		149,924	
Operating expenditures		113,041	
Total	<u>265,689</u>	<u>262,965</u>	<u>2,724</u>
Finance:			
Salaries and employee benefits		267,558	
Operating expenditures		105,430	
Total	<u>379,451</u>	<u>372,988</u>	<u>6,463</u>
Tax assessor:			
Salaries and employee benefits		376,149	
Operating expenditures		91,697	
Total	<u>476,670</u>	<u>467,846</u>	<u>8,824</u>
Tax collector:			
Salaries and employee benefits		166,517	
Operating expenditures		73,701	
Total	<u>264,419</u>	<u>240,218</u>	<u>24,201</u>
Land records:			
Salaries and employee benefits		122,854	
Operating expenditures		24,548	
Total	<u>148,481</u>	<u>147,402</u>	<u>1,079</u>
Register of deeds:			
Salaries and employee benefits		154,862	
Operating expenditures		191,352	
Total	<u>346,218</u>	<u>346,214</u>	<u>4</u>
Public buildings:			
Salaries and employee benefits		224,197	
Operating expenditures		122,293	
Total	<u>375,233</u>	<u>346,490</u>	<u>28,743</u>
Court facilities:			
Operating expenditures		30,819	
Total	<u>35,000</u>	<u>30,819</u>	<u>4,181</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, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General government (continued):			
Central services:			
Salaries and employee benefits		120,174	
Operating expenditures		197,999	
Total	<u>347,045</u>	<u>318,173</u>	<u>28,872</u>
Total general government	<u>3,316,128</u>	<u>3,132,920</u>	<u>183,208</u>
Public safety:			
Sheriff department:			
Salaries and employee benefits		1,906,335	
Operating expenditures		408,911	
Capital outlay		44,695	
Total	<u>2,364,505</u>	<u>2,359,941</u>	<u>4,564</u>
Jail:			
Salaries and employee benefits		1,690,504	
Operating expenditures		975,095	
Capital outlay		9,723	
Total	<u>2,805,751</u>	<u>2,675,322</u>	<u>130,429</u>
Ambulance service:			
Salaries and employee benefits		1,932,021	
Operating expenditures		430,326	
Total	<u>2,395,618</u>	<u>2,362,347</u>	<u>33,271</u>
911 addressing:			
Salaries and employee benefits		28,188	
Operating expenditures		11,936	
Total	<u>124,904</u>	<u>40,124</u>	<u>84,780</u>
Emergency communications:			
Salaries and employee benefits		495,914	
Operating expenditures		18,310	
Capital outlay		7,367	
Total	<u>544,915</u>	<u>521,591</u>	<u>23,324</u>
Emergency management:			
Salaries and employee benefits		82,934	
Operating expenditures		33,125	
Total	<u>125,725</u>	<u>116,059</u>	<u>9,666</u>
Building inspector:			
Salaries and employee benefits		207,384	
Operating expenditures		12,849	
Total	<u>223,687</u>	<u>220,233</u>	<u>3,454</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, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Fire inspections:			
Salaries and employee benefits		108,477	
Operating expenditures		68,247	
Capital outlay		5,803	
Total	<u>200,468</u>	<u>182,527</u>	<u>17,941</u>
Medical examiner:			
Operating expenditures		21,500	
Total	<u>23,200</u>	<u>21,500</u>	<u>1,700</u>
Animal control:			
Operating expenditures		54,730	
Total	<u>56,755</u>	<u>54,730</u>	<u>2,025</u>
Special appropriations:			
NC Forest Service-Fire protection		55,909	
Valley River Rescue Squad		64,926	
Logan's Run		5,000	
Cherokee County Rescue Squad		76,000	
Total	<u>213,946</u>	<u>201,835</u>	<u>12,111</u>
Total public safety	<u>9,079,474</u>	<u>8,756,209</u>	<u>323,265</u>
Transportation:			
Airport:			
Salaries and employee benefits		50,400	
Operating expenditures		236,560	
Total	<u>336,759</u>	<u>286,960</u>	<u>49,799</u>
Public transportation:			
Salaries and employee benefits		439,622	
Operating expenditures		176,491	
Capital outlay		155,540	
Total	<u>879,801</u>	<u>771,653</u>	<u>108,148</u>
Total transportation	<u>1,216,560</u>	<u>1,058,613</u>	<u>157,947</u>
Environmental protection:			
Solid waste:			
Salaries and employee benefits		715,053	
Operating expenditures		504,976	
Capital outlay		216,478	
Total	<u>1,534,673</u>	<u>1,436,507</u>	<u>98,166</u>
Total environmental protection	<u>1,534,673</u>	<u>1,436,507</u>	<u>98,166</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, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Economic and physical development:			
Economic development:			
Salaries and employee benefits		61,239	
Operating expenditures		20,357	
Total	<u>83,799</u>	<u>81,596</u>	<u>2,203</u>
Cooperative extension:			
Salaries and employee benefits		122,945	
Operating expenditures		48,665	
Grants		104	
Total	<u>213,450</u>	<u>171,714</u>	<u>41,736</u>
Soil and water conservation:			
Salaries and employee benefits		85,326	
Operating expenditures		58	
Total	<u>86,525</u>	<u>85,384</u>	<u>1,141</u>
Special appropriations:			
Cherokee County Board of Tourism		191,239	
Soil and water conservation district		82,662	
Total	<u>278,762</u>	<u>273,901</u>	<u>4,861</u>
Total economic and physical development	<u>662,536</u>	<u>612,595</u>	<u>49,941</u>
Human services:			
Health department:			
Administration:			
Salaries and employee benefits		424,823	
Operating expenditures		109,847	
Total		<u>534,670</u>	
Women, infants, and children:			
WIC - Breastfeeding		9,928	
WIC - Administration		23,860	
WIC - Client services		80,220	
WIC - Nutritional Education		29,173	
Total		<u>143,181</u>	
Environmental health:			
Salaries and employee benefits		150,889	
Operating expenditures		13,195	
Total		<u>164,084</u>	
Food and lodging:			
Salaries and employee benefits		130,156	
Operating expenditures		7,167	
Total		<u>137,323</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, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Human Services, Health department (continued):			
Health programs:			
Health promotion		49,436	
Lab		177,119	
Bio Terrorism		39,437	
Animal/Meth		15,336	
Immunization		112,726	
Communicable disease		33,134	
Andrews clinic		256,737	
Adult health		50,199	
STD		9,636	
Women's health		2,726	
Pregnancy care management (OBCM)		44,519	
Maternal health		38,621	
Breast and cervical cancer		33,955	
Breast feeding peer counseling		7,554	
Family planning		157,954	
Child health		32,214	
Child service coordinator		46,003	
School based clinic		93,358	
School nurse initiative		100,000	
Medication management		34,988	
Smart start		40,066	
Total		<u>1,375,718</u>	
Total Health Department	<u>2,715,747</u>	<u>2,354,976</u>	<u>360,771</u>
Social services:			
Administration:			
Salaries and employee benefits		2,911,717	
Operating expenses		177,902	
Total		<u>3,089,619</u>	
Programs:			
Operating expenses		3,114,820	
Total		<u>3,114,820</u>	
Total	<u>6,232,196</u>	<u>6,204,439</u>	<u>27,757</u>
Senior citizens program:			
Salaries and employee benefits		194,502	
Operating expenses		159,812	
Total	<u>370,299</u>	<u>354,314</u>	<u>15,985</u>
Mental health:			
Operating expenses		75,000	
Total	<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, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Human services (continued):			
Veterans service officer:			
Salaries and employee benefits		9,040	
Operating expenses		1,331	
Total	<u>13,542</u>	<u>10,371</u>	<u>3,171</u>
Special appropriations:			
Industrial Opportunities, Inc.		50,000	
State of Franklin Health Council		14,000	
Haven Child Advocacy		10,000	
Juvenile Crime Prevention Programs		115,459	
Total	<u>189,490</u>	<u>189,459</u>	<u>31</u>
Total human services	<u>9,596,274</u>	<u>9,188,559</u>	<u>407,715</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		192,796	
Operating expenditures		73,174	
Total	<u>297,227</u>	<u>265,970</u>	<u>31,257</u>
Museum:			
Salaries and employee benefits		40,158	
Operating expenditures		52	
Total	<u>40,214</u>	<u>40,210</u>	<u>4</u>
Total cultural and recreation	<u>520,486</u>	<u>489,225</u>	<u>31,261</u>
Education:			
Public schools:			
Public schools - current		5,755,657	
Public schools - SRS USFS Timber		149,084	
Public schools - capital outlay		814,871	
Total	<u>6,840,272</u>	<u>6,719,612</u>	<u>120,660</u>
Community college:			
Community college - current		732,805	
Community college - capital outlay		100,000	
Total	<u>832,805</u>	<u>832,805</u>	<u>-</u>
Total education	<u>7,673,077</u>	<u>7,552,417</u>	<u>120,660</u>
Debt service:			
Principal retirements		2,049,007	
Interest and fees		401,750	
Total debt service	<u>2,479,607</u>	<u>2,450,757</u>	<u>28,850</u>
Total expenditures	<u>36,078,815</u>	<u>34,677,802</u>	<u>1,401,013</u>
Revenues over (under) expenditures	<u>366,963</u>	<u>2,659,672</u>	<u>2,292,709</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, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds:			
Courthouse Project Fund		267,224	
Water and Sewer Improvement Fund		5,166	
Airport Improvement Fund		9,206	
Capital Reserve Fund		41,839	
Transfers to other funds:			
Debt Service Fund		(383,561)	
Revaluation Fund		(25,000)	
Airport Improvement Fund		(2,100)	
Pool and Wellness Center		(1,005,049)	
Total other financing sources (uses)	<u>(1,161,455)</u>	<u>(1,092,275)</u>	<u>69,180</u>
Revenues and other sources over (under) expenditures	<u>(794,492)</u>	<u>1,567,397</u>	<u>2,361,889</u>
Appropriated fund balance	<u>794,492</u>	<u>-</u>	<u>(794,492)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,567,397</u>	<u>\$ 1,567,397</u>
Fund balance, beginning as previously reported		14,380,578	
Prior period adjustment		5,144	
Fund balance, beginning as restated		<u>14,385,722</u>	
Fund balance, ending		<u>\$ 15,953,119</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, 2014**

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ 200	\$ 333	\$ 133
Total revenues	<u>200</u>	<u>333</u>	<u>133</u>
<b>EXPENDITURES</b>			
Current:			
General government:			
Salaries and employee benefits		-	
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>200</u>	<u>333</u>	<u>133</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from other funds:			
General Fund	25,000	25,000	-
Total other financing sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Increase in fund balance for subsequent expenditures	(25,200)	-	25,200
Net change in fund balance	<u>\$ -</u>	25,333	<u>\$ 25,333</u>
Fund balance, beginning		<u>292,341</u>	
Fund balances, ending		<u>\$ 317,674</u>	

# MAJOR GOVERNMENTAL FUNDS

---

The County has two major governmental funds.

---

## ***Special Revenue Funds:***

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

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

## ***Capital Project Funds:***

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

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

**Cherokee County, North Carolina**

**Debt Service Fund**

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

**For the Fiscal Year Ended June 30, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Investment earnings	\$ 105,000	\$ 149,016	\$ 44,016
Total revenues	<u>105,000</u>	<u>149,016</u>	<u>44,016</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	(488,562)	-	488,562
Net change in fund balance	<u>\$ -</u>	532,577	<u>\$ 532,579</u>
Fund balance, beginning		<u>4,029,652</u>	
Fund balance, ending		<u>\$ 4,562,229</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, 2014**

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>REVENUES</b>					
Interest	\$ -	\$ 8,548	\$ -	\$ 8,548	\$ 8,548
Total revenues	<u>-</u>	<u>8,548</u>	<u>-</u>	<u>8,548</u>	<u>8,548</u>
<b>EXPENDITURES</b>					
Education:					
Capital outlay:					
Administration		14,710	-	14,710	
Construction		8,089,527	-	8,089,527	
Professional services		235,975	-	235,975	
Contingency		191,101	-	191,101	
Total expenditures	<u>8,789,989</u>	<u>8,531,313</u>	<u>-</u>	<u>8,531,313</u>	<u>258,676</u>
Revenues over (under) expenditures	<u>(8,789,989)</u>	<u>(8,522,765)</u>	<u>-</u>	<u>(8,522,765)</u>	<u>267,224</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer to other funds					
General Fund			(267,224)		
Transfer from other funds					
General Fund		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>(267,224)</u>	<u>8,789,989</u>	<u>-</u>
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 267,224</u>	<u>(267,224)</u>	<u>\$ 267,224</u>	<u>\$ 267,224</u>
Fund balance, beginning			<u>267,224</u>		
Fund balance, ending			<u>\$ -</u>		



# Non-major Governmental Funds

---

The County has the following non-major governmental funds:

---

## ***Special Revenue Funds:***

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

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

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

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

**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, 2014, 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, 2014, 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.

**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, 2014**

	Total Non-major Special Revenue Funds	Total Non-major Capital Projects Fund	Total Non-major Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 351,272	\$ -	\$ 351,272
Restricted cash	108	-	108
Investments	-	-	-
Taxes receivable (net)	133,679	-	133,679
Accounts receivable	21,763	153,075	174,838
Due from other funds	-	-	-
Due from other governments	4,753	-	4,753
Deposits and prepaid	-	-	-
Total assets	<u>\$ 511,575</u>	<u>\$ 153,075</u>	<u>\$ 664,650</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 28,185	\$ -	\$ 28,185
Due to other funds	-	135,885	135,885
Total liabilities	<u>28,185</u>	<u>135,885</u>	<u>164,070</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes receivable	130,557	-	130,557
Unearned revenues	-	-	-
Total deferred inflows of resources	<u>130,557</u>	<u>-</u>	<u>130,557</u>
Fund balances:			
Restricted:			
Stabilization by state statute	29,638	153,075	182,713
Public safety	323,087	-	323,087
Transportation	-	(133,079)	(133,079)
Economic and physical development	108	-	108
Human services	-	(2,806)	(2,806)
Fire protection	-	-	-
School capital	-	-	-
Unassigned	-	-	-
Total fund balances	<u>352,833</u>	<u>17,190</u>	<u>370,023</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 511,575</u>	<u>\$ 153,075</u>	<u>\$ 664,650</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, 2014**

	Total Non-major Special Revenue Funds	Total Non-major Capital Projects Fund	Total Non-major Governmental Funds
<b>REVENUES</b>			
Ad valorem taxes	\$ 1,834,485	\$ -	\$ 1,834,485
Other taxes and licenses	-	-	-
Restricted intergovernmental	307,918	143,475	451,393
Restricted other	-	-	-
Investment earnings	340	-	340
Total revenues	<u>2,142,743</u>	<u>143,475</u>	<u>2,286,218</u>
<b>EXPENDITURES</b>			
Current:			
General government	279,739	-	279,739
Public safety	1,736,657	-	1,736,657
Transportation	-	73,997	73,997
Education	-	-	-
Economic development	46,665	-	46,665
Human services	-	74,201	74,201
Total expenditures	<u>2,063,061</u>	<u>148,198</u>	<u>2,211,259</u>
Revenues over (under) expenditures	79,682	(4,723)	74,959
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	-	(56,211)	(56,211)
Transfers to other funds	-	2,100	2,100
Total other financing sources (uses)	<u>-</u>	<u>(54,111)</u>	<u>(54,111)</u>
Net change in fund balances	79,682	(58,834)	20,848
Fund balances, beginning as restated	<u>273,151</u>	<u>76,024</u>	<u>349,175</u>
Fund balances, ending	<u>\$ 352,833</u>	<u>\$ 17,190</u>	<u>\$ 370,023</u>

**Cherokee County, North Carolina**  
**Combining Balance Sheet**  
**Non-major Governmental Special Revenue Funds**  
**June 30, 2014**

	Emergency Telephone System Fund	Fire District Fund	Bear Paw Service District	Housing Preservation Grant Fund	Total Non- major Special Revenue Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 332,218	\$ 17,016	\$ 2,038	\$ -	\$ 351,272
Restricted cash	-	-	-	108	108
Investments	-	-	-	-	-
Taxes receivable (net)	-	121,274	12,405	-	133,679
Accounts receivable	21,763	-	-	-	21,763
Due from other funds	-	-	-	-	-
Due from other governments	-	4,753	-	-	4,753
Total assets	<u>\$ 353,981</u>	<u>\$ 143,043</u>	<u>\$ 14,443</u>	<u>\$ 108</u>	<u>\$ 511,575</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,256	\$ 24,891	\$ 2,038	\$ -	\$ 28,185
Due to other funds	-	-	-	-	-
Total liabilities	<u>1,256</u>	<u>24,891</u>	<u>2,038</u>	<u>-</u>	<u>28,185</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Taxes receivable	-	118,152	12,405	-	130,557
Unearned Revenues	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>118,152</u>	<u>12,405</u>	<u>-</u>	<u>130,557</u>
Fund balances:					
Restricted:					
Stabilization by State Statute	21,763	7,875	-	-	29,638
Public Safety	330,962	(7,875)	-	-	323,087
Transportation	-	-	-	-	-
Economic and Physical Development	-	-	-	108	108
Human Services	-	-	-	-	-
Fire Protection	-	-	-	-	-
School	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>352,725</u>	<u>-</u>	<u>-</u>	<u>108</u>	<u>352,833</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 353,981</u>	<u>\$ 143,043</u>	<u>\$ 14,443</u>	<u>\$ 108</u>	<u>\$ 511,575</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, 2014**

	Emergency Telephone System Fund	Fire District Fund	Bear Paw Service District	Housing Preservation Grant Fund	Total Non- major Special Revenue Funds
<b>REVENUES</b>					
Ad valorem taxes	\$ -	\$ 1,554,746	\$ 279,739	\$ -	\$ 1,834,485
Other taxes and licenses	-	-	-	-	-
Restricted intergovernmental	261,145	-	-	46,773	307,918
Restricted other	-	-	-	-	-
Investment earnings	340	-	-	-	340
Total revenues	<u>261,485</u>	<u>1,554,746</u>	<u>279,739</u>	<u>46,773</u>	<u>2,142,743</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	279,739	-	279,739
Public safety	181,911	1,554,746	-	-	1,736,657
Transportation	-	-	-	-	-
Education	-	-	-	-	-
Economic Development	-	-	-	46,665	46,665
Total expenditures	<u>181,911</u>	<u>1,554,746</u>	<u>279,739</u>	<u>46,665</u>	<u>2,063,061</u>
Revenues over (under) expenditures	79,574	-	-	108	79,682
<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	79,574	-	-	108	79,682
Fund balances, beginning as restated	<u>273,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>273,151</u>
Fund balances, ending	<u>\$ 352,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108</u>	<u>\$ 352,833</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, 2014**

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Restricted intergovernmental	\$ 261,145	\$ 261,145	\$ -
Investment earnings	260	340	80
Total revenues	<u>261,405</u>	<u>261,485</u>	<u>80</u>
<b>EXPENDITURES</b>			
Public safety			
Operating expenditures		181,911	
Total expenditures	<u>217,673</u>	<u>181,911</u>	<u>35,762</u>
Revenues over (under) expenditures	<u>43,732</u>	<u>79,574</u>	<u>35,842</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	(43,732)	-	43,732
Revenues and other sources over (under) expenditures	<u>\$ -</u>	79,574	<u>\$ 79,574</u>
Fund balance, beginning as previously reported		275,553	
Prior period adjustment		(2,402)	
Fund balance, beginning as restated		<u>273,151</u>	
Fund balance, ending		<u>\$ 352,725</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, 2014**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Ad valorem taxes	\$ 1,559,933	\$ 1,554,746	\$ (5,187)
Total revenues	<u>1,559,933</u>	<u>1,554,746</u>	<u>(5,187)</u>
<b>EXPENDITURES</b>			
Public safety:			
Collection Fees		2,616	
Bellview Fire District		93,905	
Brasstown Fire District		15,270	
Culberson Fire District		87,744	
Grape Creek Fire District		29,597	
Hanging Dog Fire District		48,755	
Hiwassee Fire District		184,994	
Wolf Creek Fire District		66,233	
Martins Creek Fire District		80,351	
Peachtree Fire District		177,001	
Murphy Rural Fire District		298,165	
Ranger Fire District		125,875	
Tipton Fire District		2,546	
Unaka Fire District		33,069	
Valleytown Fire District		295,098	
Violet Fire District		13,527	
Total expenditures	<u>1,559,933</u>	<u>1,554,746</u>	<u>5,187</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 balance, ending		<u>\$ -</u>	

**Cherokee County, North Carolina**

**Bear Paw Service District**

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

**For the Fiscal Year Ended June 30, 2014**

	Final Budget	Actual	Variance Favorable (Unfavorable)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 291,638	\$ 279,739	\$ (11,899)
Total revenues	<u>291,638</u>	<u>279,739</u>	<u>(11,899)</u>
<b>EXPENDITURES</b>			
General government:			
Bear Paw Service District	<u>291,638</u>	<u>279,739</u>	<u>11,899</u>
Total expenditures	<u>291,638</u>	<u>279,739</u>	<u>11,899</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 balance, ending		<u>\$ -</u>	



**Cherokee County, North Carolina**

**Housing Preservation Grant Fund**

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

**From Inception and for the Fiscal Year Ended June 30, 2014**

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
<b>REVENUES</b>					
Restricted intergovernmental:					
Grants	\$ 90,000	\$ 43,200	\$ 46,773	\$ 89,973	\$ (27)
Total revenues	90,000	43,200	46,773	89,973	(27)
<b>EXPENDITURES</b>					
Economic and physical development:					
Administration		6,000	3,000	9,000	
Construction		37,200	43,665	80,865	
Total expenditures	90,000	43,200	46,665	89,865	135
Revenues over (under) expenditures	-	-	108	108	(108)
<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	\$ -	\$ -	108	\$ 108	\$ (108)
Fund balance, beginning			-		
Fund balance, ending			\$ 108		

**Cherokee County, North Carolina**  
**Combining Balance Sheet**  
**Non-major Governmental Capital Project Funds**  
**June 30, 2014**

	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	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash	-	-	-	-	-
Investments	-	-	-	-	-
Taxes receivable (net)	-	-	-	-	-
Accounts receivable	-	-	19,996	133,079	153,075
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Deposits and Prepaid	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,996</u>	<u>\$ 133,079</u>	<u>\$ 153,075</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	2,806	133,079	135,885
Total liabilities	<u>-</u>	<u>-</u>	<u>2,806</u>	<u>133,079</u>	<u>135,885</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	-	-	19,996	133,079	153,075
Public Safety	-	-	-	-	-
Transportation	-	-	-	(133,079)	(133,079)
Economic and physical development	-	-	-	-	-
Human services	-	-	(2,806)	-	(2,806)
Fire protection	-	-	-	-	-
School capital	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>17,190</u>	<u>-</u>	<u>17,190</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,996</u>	<u>\$ 133,079</u>	<u>\$ 153,075</u>

**Cherokee County, North Carolina**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-major Governmental Capital Project Funds**  
**June 30, 2014**

	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	\$ -	\$ -	\$ 62,373	\$ 81,102	\$ 143,475
Total revenues	<u>-</u>	<u>-</u>	<u>62,373</u>	<u>81,102</u>	<u>143,475</u>
<b>EXPENDITURES</b>					
Current:					
Transportation	-	-	-	73,997	73,997
Human services	-	-	74,201	-	74,201
Total expenditures	<u>-</u>	<u>-</u>	<u>74,201</u>	<u>73,997</u>	<u>148,198</u>
Revenues over (under) expenditures	-	-	(11,828)	7,105	(4,723)
<b>OTHER FINANCING SOURCES (USES)</b>					
Installment purchase proceeds	-	-	-	-	-
Transfer to General Fund	(5,166)	(41,839)	-	(9,206)	(56,211)
Transfer from General Fund	-	-	-	2,100	2,100
Total other financing sources (uses)	<u>(5,166)</u>	<u>(41,839)</u>	<u>-</u>	<u>(7,106)</u>	<u>(54,111)</u>
Net change in fund balances	(5,166)	(41,839)	(11,828)	(1)	(58,834)
Fund balances, beginning	<u>5,166</u>	<u>41,839</u>	<u>29,018</u>	<u>1</u>	<u>76,024</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,190</u>	<u>\$ -</u>	<u>\$ 17,190</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, 2014**

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
<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	-	216,866	(62,627)
Appalachian Regional Commission	169,692	131,681	-	131,681	(38,011)
Total revenues	1,031,000	915,652	-	915,652	(115,348)
<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	1,031,000	915,652	-	915,652	115,348
Revenues over (under) expenditures	-	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer to other funds					
General Fund	(5,167)	-	(5,166)	(5,166)	1
Total other financing sources (uses)	(5,167)	-	(5,166)	(5,166)	1
Appropriated fund balance	5,167	-	-	-	(5,167)
Net change in fund balance	\$ -	\$ -	(5,166)	\$ (5,166)	\$ (5,166)
Fund balance, beginning			5,166		
Fund balance, ending			\$ -		

**Cherokee County, North Carolina**

**Capital Reserve Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
From Inception and for the Fiscal Year Ended June 30, 2014**

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>REVENUES</b>					
Restricted intergovernmental:					
Interest	\$ -	\$ 110	\$ -	\$ 110	\$ 110
Total revenues	<u>-</u>	<u>110</u>	<u>-</u>	<u>110</u>	<u>110</u>
<b>EXPENDITURES</b>					
Human services					
Capital outlay	1,600,000	1,358,271	-	1,358,271	241,729
Total expenditures	<u>1,600,000</u>	<u>1,358,271</u>	<u>-</u>	<u>1,358,271</u>	<u>241,729</u>
Revenues over (under) expenditures	<u>(1,600,000)</u>	<u>(1,358,161)</u>	<u>-</u>	<u>(1,358,161)</u>	<u>241,839</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer to other funds					
General Fund	(41,839)	-	(41,839)	(41,839)	-
Transfer from other funds					
General Fund					
Installment purchase proceeds	1,600,000	1,400,000	-	1,400,000	(200,000)
Total other financing sources (uses)	<u>1,558,161</u>	<u>1,400,000</u>	<u>(41,839)</u>	<u>1,358,161</u>	<u>(200,000)</u>
Appropriated fund balance	41,839	-	-	-	(41,839)
Net change in fund balance	<u>\$ -</u>	<u>\$ 41,839</u>	<u>(41,839)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>41,839</u>		
Fund balance, ending			<u>\$ -</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, 2014**

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>REVENUES</b>					
Restricted intergovernmental					
Grants	\$ 704,842	\$ 636,758	\$ 62,373	\$ 699,131	\$ (5,711)
Total revenues	<u>704,842</u>	<u>636,758</u>	<u>62,373</u>	<u>699,131</u>	<u>(5,711)</u>
<b>EXPENDITURES</b>					
Human services					
Operating expenditures		55,135	42,431	97,566	
Capital outlay		<u>617,159</u>	<u>31,770</u>	<u>648,929</u>	
Total expenditures	<u>752,842</u>	<u>672,294</u>	<u>74,201</u>	<u>746,495</u>	<u>6,347</u>
Revenues over (under) expenditures	<u>(48,000)</u>	<u>(35,536)</u>	<u>(11,828)</u>	<u>(47,364)</u>	<u>636</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from other funds					
General Fund	<u>48,000</u>	<u>64,554</u>	<u>-</u>	<u>64,554</u>	<u>16,554</u>
Total other financing sources (uses)	<u>48,000</u>	<u>64,554</u>	<u>-</u>	<u>64,554</u>	<u>16,554</u>
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 29,018</u>	<u>(11,828)</u>	<u>\$ 17,190</u>	<u>\$ 17,190</u>
Fund balance, beginning			<u>29,018</u>		
Fund balance, ending			<u>\$ 17,190</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, 2014**

	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	\$ 911,401	\$ -	\$ 911,401	\$ (46,799)
Grant-36237.41.11.1	241,648	211,747	-	211,747	(29,901)
Grant-36237.41.11.2	666,782	654,517	12,264	666,781	(1)
Grant-36237.41.11.3	355,628	154,106	56,387	210,493	(145,135)
Grant-36237.41.11.5	64,136	64,136	-	64,136	-
Grant-36237.41.12.1	62,575	62,576	(5,465)	57,111	(5,464)
Grant-36237.41.12.2	18,900	-	17,916	17,916	(984)
Total revenues	<u>2,367,869</u>	<u>2,058,483</u>	<u>81,102</u>	<u>2,139,585</u>	<u>(228,284)</u>
<b>EXPENDITURES</b>					
Transportation:					
Runway approach I 41.10.3	1,064,667	1,008,801	3,867	1,012,668	51,999
Taxi ways extension phase 41.11.1	268,498	235,428	-	235,428	33,070
Parallel taxi way project 41.11.2	741,869	728,017	12,851	740,868	1,001
Improve runway 8 safety area 41.11.3	384,350	200,655	33,226	233,881	150,469
Airport AWOS upgrade project 41.11.5	71,262	71,262	-	71,262	-
Aviation access driveway 41.12.1	70,744	70,745	4,037	74,782	(4,038)
Airport obstruction removal 41.12.2	21,000	-	20,016	20,016	984
Total expenditures	<u>2,622,390</u>	<u>2,314,908</u>	<u>73,997</u>	<u>2,388,905</u>	<u>233,485</u>
Revenues over (under) expenditures	<u>(254,521)</u>	<u>(256,425)</u>	<u>7,105</u>	<u>(249,320)</u>	<u>5,201</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Installment purchase proceeds					
Transfer to General Fund	(9,206)	-	(9,206)	(9,206)	-
Transfer from General Fund	263,727	256,426	2,100	258,526	(5,201)
Total other financing sources (uses)	<u>254,521</u>	<u>256,426</u>	<u>(7,106)</u>	<u>249,320</u>	<u>(5,201)</u>
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 1</u>	<u>(1)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>1</u>		
Fund balance, ending			<u>\$ -</u>		

# **Enterprise Fund**

---

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

---



**Cherokee County, North Carolina**

**Pool and Wellness Center**

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

**For the Year Ended June 30, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Charges for services:			
Membership & fees		\$ 330,894	
Total operating revenues	<u>\$ 355,300</u>	<u>330,894</u>	<u>\$ (24,406)</u>
Nonoperating revenues:			
Interest earnings		4	
Total nonoperating revenues	<u>-</u>	<u>4</u>	<u>4</u>
Total revenues	<u>355,300</u>	<u>330,898</u>	<u>(24,402)</u>
<b>EXPENDITURES</b>			
Operations:			
Salaries & employee benefits		218,507	
Supplies		21,819	
Travel		2,377	
Utilities		79,562	
Maintenance		17,374	
Other		42,600	
Advertising		2,652	
Total operating expenses	<u>406,050</u>	<u>384,891</u>	<u>21,159</u>
Debt service:			
Interest	13,971	13,158	
Principal	944,508	944,506	
Total debt service	<u>958,479</u>	<u>957,664</u>	<u>815</u>
Total expenditures:	<u>1,364,529</u>	<u>1,342,555</u>	<u>21,974</u>
Revenues over (under) expenditures	<u>(1,009,229)</u>	<u>(1,011,657)</u>	<u>(2,428)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from other funds:			
General Fund	1,009,229	1,005,049	(4,180)
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ (6,608)</u>	<u>\$ (6,608)</u>
<b>Reconciliation from Budgetary Basis (modified accrual) to Full accrual:</b>			
Revenues and other financing sources over (under) expenditures		\$ (6,608)	
Reconciling items:			
Principal retirement		944,506	
Depreciation		(100,269)	
Total reconciling items		<u>844,237</u>	
Change in net position		<u>\$ 837,629</u>	

# AGENCY FUNDS

---

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

---

- **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, 2014**

	<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	\$ 74,618	\$ 499,683	\$ 455,807	\$ 118,494
Liabilities:				
Miscellaneous liabilities	\$ 74,618	\$ 499,683	\$ 455,807	\$ 118,494
<b><u>Social Services Fund</u></b>				
Assets:				
Cash and cash equivalents	\$ 55,614	\$ 427,838	\$ 450,570	\$ 32,882
Liabilities:				
Miscellaneous liabilities	\$ 55,614	\$ 427,838	\$ 450,570	\$ 32,882
<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	\$ 6,312	\$ 113,347	\$ 110,805	\$ 8,854
Liabilities:				
Intergovernmental payable	\$ 6,312	\$ 113,347	\$ 110,805	\$ 8,854
Total	\$ 6,312	\$ 113,347	\$ 110,805	\$ 8,854
<b><u>Totals - All Agency Funds</u></b>				
Assets:				
Cash and cash equivalents	\$ 136,544	\$ 1,040,868	\$ 1,017,182	\$ 160,230
Liabilities:				
Miscellaneous liabilities	\$ 130,232	\$ 927,521	\$ 906,377	\$ 151,376
Intergovernmental payable	6,312	113,347	110,805	8,854
Total liabilities	\$ 136,544	\$ 1,040,868	\$ 1,017,182	\$ 160,230

## **OTHER SCHEDULES**

---

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

---

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, 2014**

<u>Fiscal Year</u>	<u>Uncollected Beginning Balance</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Ending Balance</u>
2013-2014	\$ -	\$ 15,998,352	\$ 15,375,713	\$ 622,639
2012-2013	905,468	-	661,052	244,416
2011-2012	272,170	-	136,315	135,855
2010-2011	145,155	-	53,764	91,391
2009-2010	95,827	-	29,186	66,641
2008-2009	69,832	-	18,618	51,214
2007-2008	61,969	-	11,024	50,945
2006-2007	46,567	-	7,404	39,163
2005-2006	38,697	-	5,138	33,559
2004-2005	32,512	-	3,566	28,946
2003-2004	29,389	-	29,389	-
	<u>\$ 1,697,586</u>	<u>\$ 15,998,352</u>	<u>\$ 16,331,169</u>	1,364,769

Less: allowance for uncollectible accounts:

General fund

(545,213)

Ad valorem taxes receivable - net:

General fund

\$ 819,556

Reconciliation with revenues:

Ad valorem taxes - General fund

\$ 16,540,416

Reconciling items:

Interest collected

(273,617)

Release and adjustments

34,981

Taxes written off

29,389

Total reconciling items

(209,247)

Total collections and credits

\$ 16,331,169

**Cherokee County, North Carolina**  
**Analysis of Current Tax Levy**  
**County - Wide Levy**  
**For the Fiscal Year Ended June 30, 2014**

	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	\$ 3,034,002,308	0.520	\$ 15,776,812	\$ 14,569,104	\$ 1,207,708
Penalties	-		9,980	9,980	-
Total	3,034,002,308		15,786,792	14,579,084	1,207,708
Discoveries:					
Current year taxes	56,047,500	0.520	291,447	291,447	-
Abatements					
Penalties			(3,460)	(3,460)	
Taxes	(14,697,500)	0.520	(76,427)	(53,261)	(23,166)
Total property valuation	3,075,352,308				
Net levy			15,998,352	14,813,810	1,184,542
Uncollected taxes at June 30, 2014			622,639	540,913	81,726
Current year's taxes collected			\$ 15,375,713	\$ 14,272,897	\$ 1,102,816
Current levy collection percentage			96.11%	96.35%	93.10%

**Cherokee County, North Carolina**  
**Emergency Telephone System Unspent Balance**  
**PSAP Reconciliation**  
**For the Fiscal Year Ended June 30, 2014**

---

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	\$ 79,574
Beginning Balance, PSAP Revenue-Expenditure Report	<u>273,151</u>
Ending Balance, PSAP Revenue-Expenditure Report	<u><u>\$ 352,725</u></u>

**Cherokee County, North Carolina**  
**Schedule of Transfers**  
**For the Fiscal Year Ended June 30, 2014**

<b>Operating Transfers From/To Other Funds</b>	Transfers	
	From	To
Courthouse Project Fund General Fund	267,224	267,224
Water and Sewer Improvement Fund General Fund	5,166	5,166
Airport Improvement Fund General Fund	9,206	9,206
Capital Reserve Fund General Fund	41,839	41,839
General Fund Debt Service Fund	383,561	383,561
General Fund Revaluation Fund	25,000	25,000
General Fund Airport Improvement Fund	2,100	2,100
General Fund Pool and Wellness Center Proprietary Fund	1,005,049	1,005,049
	1,739,145	1,739,145



---

## **COMPLIANCE SECTION**

---

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

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

---

## **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 County 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 Cherokee County, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises Cherokee County's basic financial statements, and have issued our report thereon dated April 30, 2015.

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

In planning and performing our audit, we considered Cherokee County's internal control over financial reporting (internal control) 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 Cherokee County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weakness and significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be material weakness. 2014-001

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be significant deficiency. 2014-001

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2014-001.

### ***Cherokee County's Response to Findings***

Cherokee County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

***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

April 30, 2015

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

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

---

## **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 County 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, 2014. 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. 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, 2014.

### ***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

April 30, 2015

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

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

---

## **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 County 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, 2014. 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, 2014.

### ***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

April 30, 2015

**Cherokee County, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2014**

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

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted   X   yes        no

**Federal Awards**

Internal control over major federal programs:

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

Type of auditors' report issued on compliance for major federal programs: Unmodified

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

Identification of major Federal Program:

Name of Federal Program or Cluster	CFDA#
Title XIX Medicaid	93.778
Women, Infants, & Children	10.557

Dollar threshold used to distinguish between Type A and Type B programs:   \$  1,026,738  

Auditee qualified as low-risk auditee        yes   X   no

**State Awards**

The only major State program for Cherokee County is the **Medicaid Assistance Cluster (93.778)**, which is a State match on a federal program. Therefore, this program 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, 2014**

---

---

**Section II - Financial Statement Findings**

---

**Finding: 2014-001**

MATERIAL WEAKNESS

MATERIAL NONCOMPLIANCE

Criteria: The North Carolina Local Government Budget and Fiscal Control Act (G.S. 159-34) states that each unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year. Also, units subject to OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations are required to submit their audited financial statements to the Federal Clearinghouse 30 days after their release but no later than nine months after the end of the unit's fiscal year. Also, the North Carolina Local Government Budget and Fiscal Control Act (G.S. 159-33.1) states that the Annual Financial Information Report (AFIR) for the local government shall be submitted to the Local Government Commission within four months of the fiscal year end.

Condition: The audited financial statements and the related AFIR were not submitted by the aforementioned deadlines.

Effect: Financial and/or operational problems could go undetected in the current fiscal year. Pertinent information may be inaccessible by various external groups such as the North Carolina General Assembly, federal and state funding agencies, and other public associations.

Cause: Multiple issues including staffing levels for part of the year and software issues.

Recommendation: The County should implement controls to ensure that required reporting is completed timely and accurately. In addition adequate resources should be dedicated to ensure professional staff have the time to ensure that required reporting is completed timely and accurately.

Views of responsible officials and planned corrective actions: The County agrees with this finding and will adhere to the corrective action plan on page 105 in this audit report.

---

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

---

None reported.

---

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

---

None reported.

**Cherokee County, North Carolina**  
**Corrective Action Plan**  
**For the Fiscal Year Ended June 30, 2014**

---

---

**Section II - Financial Statement Findings**

---

**Finding: 2014-001**

MATERIAL WEAKNESS

MATERIAL NONCOMPLIANCE

Name of contact person: Candy R. Anderson, CPA, CGMA  
Finance Director/Officer

Corrective Action: The County is in the process of examining the systems and processes in place regarding financial reporting. The Finance Director/Officer is implementing policies to strengthen existing controls. The Finance Director/Officer and the Board are working to develop and incorporate measures to ensure that the data is collected, reviewed and reported accurately and timely.

Proposed Completion Date: Ongoing

---

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

---

None reported.

---

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

---

None reported.

**Cherokee County, North Carolina**  
**Summary Schedule of Prior Year Audit Findings**  
**For the Fiscal Year Ended June 30, 2014**

---

None Reported

**Cherokee County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2014**

Grantor/Pass-through <u>Grantor/Program Title</u>	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	346,538	-	346,538
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	144,373	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	XXXX	599,282	-	-
<u>U. S. Department of Justice</u>					
<u>Bureau of Justice Assistance</u>					
Bulletproof Vest Partnership Program	16.607	XXXX	4,874	-	-
Total Department of Justice			4,874	-	-
<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	12,346	-	1,372
Project 36237.41.11.3	20.106	XXXX	29,903	-	3,323
Project 36237.41.12.2	20.106	XXXX	18,014	-	2,002
<u>Federal Transit Administration</u>					
Passed-through N.C. Department of Transportation:					
Formula Grants for Other than Urbanized Areas					
Project 36233.22.15.1	20.509	XXXX	130,148	8,134	24,404
Project 36233.22.15.3	20.509	XXXX	71,971	8,996	8,997
Project 51001.30.2.3	20.513	XXXX	70,013	-	70,016
Project 51002.29.1.2	20.516	XXXX	7,418	-	7,420
Total U.S. Department of Transportation			339,813	17,130	117,534
<u>U.S. Department of Homeland Security</u>					
Passed-through N.C. Department of Public Safety					
Division of Emergency Management					
Emergency Management Performance Grants	97.042	XXXX	34,579	-	36,362
Total U.S. Department of Homeland Security			34,579	-	36,362
<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	22,847	-	-

**Cherokee County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2014**

Grantor/Pass-through Grantor/Program Title	State/		Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
	Federal CFDA Number	Pass-through Grantor's Number			
<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	140,650	8,274	16,547
Special Programs for the Aging Title III - Part C Nutrition Services	93.045	XXXX	150,266	8,839	17,679
Total Aging Cluster			290,916	17,113	34,226
<u>Administration for Children and Families</u>					
Social Service Block Grant (SSBG) - In Home Services Promoting Safe and Stable Families	93.667	XXXX	143,402	10,153	37,283
N. C. Child Support Enforcement Section	93.556	XXXX	12,268	-	-
Low Income Home Energy Assistance Block Grant: Administration	93.563	XXXX	222,104	-	114,417
Child Welfare Services - State Grants - Adoption Subsidy - Direct Benefit Payments	93.568	XXXX	267,975	-	-
<b>ARRA</b> - Foster Care Title IV-E Foster Care Direct Benefits	93.645	XXXX	18,033	-	6,011
<b>ARRA</b> - Adoption Assistance Administration	93.658	XXXX	91,798	31,007	76,450
Adoption Assistance Direct benefits	93.658	XXXX	226,253	62,460	63,087
Chafee Foster Care Independence Program Administration	93.659	XXXX	5,991	-	5,991
Public Assistance	93.659	XXXX	246,283	64,675	64,675
AFDC Unemployed Public Assistance	93.674	XXXX	6,630	1,657	-
Temporary Assistance for Needy Families Administration	93.674	XXXX	37,115	-	-
Public Assistance	93.560	XXXX	(245)	(67)	(67)
Division of Social Services: Child Care Development Fund-Administration	93.558	XXXX	393,416	-	164,038
	93.558	XXXX	86,045	-	108
Division of Social Services: Child Care Development Fund-Administration	93.596	XXXX	71,711	-	-
<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	29,405,237	16,249,245	-
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	XXXX	579,823	11,175	445,007
State Children's Insurance Program N.C. Health Choice	93.767	XXXX	516,099	157,135	5,732
Division of Public Health:					
Bioterrorism Grant	93.069	XXXX	31,025	-	-
Temporary Assistance for Needy Families (TANF) Family Planning	93.558	XXXX	1,333	-	-
Division of Insurance					
Senior Health Insurance Information Program	93.558	XXXX	4,509	-	-

**Cherokee County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2014**

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>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 Screening Opportunities	93.744	XXXX	782	-	-
Breast and Cervical Cancer Early Detection Programs	93.919	XXXX	19,312	10,140	-
Preventive Health and Health Services Block Grant	93.991	XXXX	10,783	-	-
<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	3,113	2,707	-
Family Planning	93.994	XXXX	19,967	16,041	-
Child Care Coordination	93.994	XXXX	921	691	-
Child Health	93.994	XXXX	10,490	7,869	-
<u>Immunization Cluster</u>					
Immunization Grants	93.268	XXXX	9,220	-	-
Total U.S. Department of Health and Human Services			32,755,156	16,642,001	1,016,958
Total federal awards			34,224,615	16,659,131	1,517,392
<b>State Awards:</b>					
<u>N.C. Department of Environment and Natural Resources</u>					
Division of Waste Management					
Community Waste Reduction & Recycling Grant		XXXX	-	26,017	5,203
Scrap Tire Program		XXXX	-	12,892	-
Total N.C. Department of Environment and Natural Resources			-	38,909	5,203
<u>N.C. Department of Health and Human Services</u>					
Division of Aging and Adult Services					
Senior Center - General Purpose		XXXX	-	4,219	1,407
Total Division of Aging and Adult Services			-	4,219	1,407
Division of Social Services:					
Administration					
AFDC Incentive		XXXX	-	265	-
Public Assistance:					
Domiciliary Care		XXXX	-	250,788	254,156
State Foster Care		XXXX	-	101,922	101,922
Foster Care HF Maximization		XXXX	-	82,205	82,205
Foster Care at Risk Maximization		XXXX	-	7,364	3,841
CWS Adoption Subsidy		XXXX	-	216,271	68,040
Total Division of Social Service			-	658,815	510,164
Division of Public Health:					
Aid to Counties		XXXX	-	89,782	-
Communicable Disease		XXXX	-	11,066	-
Tuberculosis		XXXX	-	829	-
Tuberculosis Medical		XXXX	-	235	-
HIV/STD		XXXX	-	500	-

**Cherokee County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2014**

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 (continued):					
Women's Health Service Fund		XXXX	-	5,400	-
Risk Reduction/Health Promotion		XXXX	-	6,285	-
School Health Centers		XXXX	-	87,680	-
School Nurse Funding Initiative		XXXX	-	85,032	-
Environmental Health		XXXX	-	4,000	-
Other Receipts		XXXX	-	7,029	-
Total Division of Public Health			-	297,838	-
Total N.C. Department of Health and Human Services			-	960,872	511,571
<u>N.C. Department of Public Instruction</u>					
Public School Building Capital Fund - Lottery Proceeds		XXXX	-	257,070	-
Total N. C. Department of Public Instruction			-	257,070	-
<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	-	57,639	-
ROAP Rural General Public Program					
Work project #36228.22.5.1 ROAP RGP		XXXX	-	65,709	-
ROAP Work First Transitional - Employment					
Work project #36235.19.2.2 ROAP WORK FIRST		XXXX	-	7,584	-
Total N.C. Department of Transportation			-	130,932	-
<u>N.C. Department of Public Safety</u>					
Division of Juvenile Justice & Delinquency Prevention					
30th District Multi-County Budget		XXXX	-	98,645	16,245
Total N.C. Department of Public Safety			-	98,645	16,245
Total State awards			-	1,486,428	533,019
Total federal and State awards			\$ 34,224,615	\$ 18,145,559	\$ 2,050,411

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.