

Cherokee County, North Carolina
Financial Statements
June 30, 2023

Turner & Company CPAs P.A.

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June 30, 2023

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Introductory Information

Cherokee County, North Carolina
List of Principal Officials as of January 24, 2025
(the Date of the Auditors' Report)

BOARD OF COUNTY COMMISSIONERS

Dr. Dan Eichenbaum - District 4 Commissioner, Chairman

Cal Stiles - District 1 Commissioner, Vice-Chair

Mark Stiles - District 2 Commissioner

Ben Adams - District 3 Commissioner

Alan Bryant - District 5 Commissioner

COUNTY OFFICIALS

Randy Wiggins - County Manager

Candy R. Anderson, CPA, CGMA - Chief Financial Officer

Darryl R. Brown - County Attorney

Maria Hass - Clerk to the Board/Assistant County Manager

Karen Wright - Register of Deeds

Teresa Ricks - Tax Assessor

Delenna Stiles - Tax Collector

Dustin Smith - Sheriff

David Badger - Health Director

Amanda McGee - Director of Social Services

Leighsa R. Jones - Director of Elections

Financial Section

Turner & Company CPAs P.A.

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

Independent Auditors' Report

To the Board of Commissioners
Cherokee County, North Carolina

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2023, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Cherokee County Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Change in Accounting Principle

As discussed in Note VII to the financial statements, the County adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10, the Local Government Employees' Retirement System schedules of the County's Proportionate Share of Net Pension Liability (Asset) and the County Contributions, pages 54 and 55, the Register of Deeds' Supplemental Pension Fund schedules of the County's Proportionate Share of the Net Pension Asset and the County Contributions on pages 56 and 57, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 58 and 59, and the Other Post-Employment Benefits Schedules of Changes in the Total OPEB Liability and Related Ratios on page 60, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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. In our opinion, the combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, component unit schedules and the Schedule of Expenditures of Federal and State Awards is 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 January 24, 2025, on our consideration of the 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 of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's 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 the County's internal control over financial reporting and compliance.



Turner & Company CPAs P.A.
Murphy, North Carolina
January 24, 2025

Management's Discussion and Analysis

Cherokee County, North Carolina
Management's Discussion and Analysis
June 30, 2023

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, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

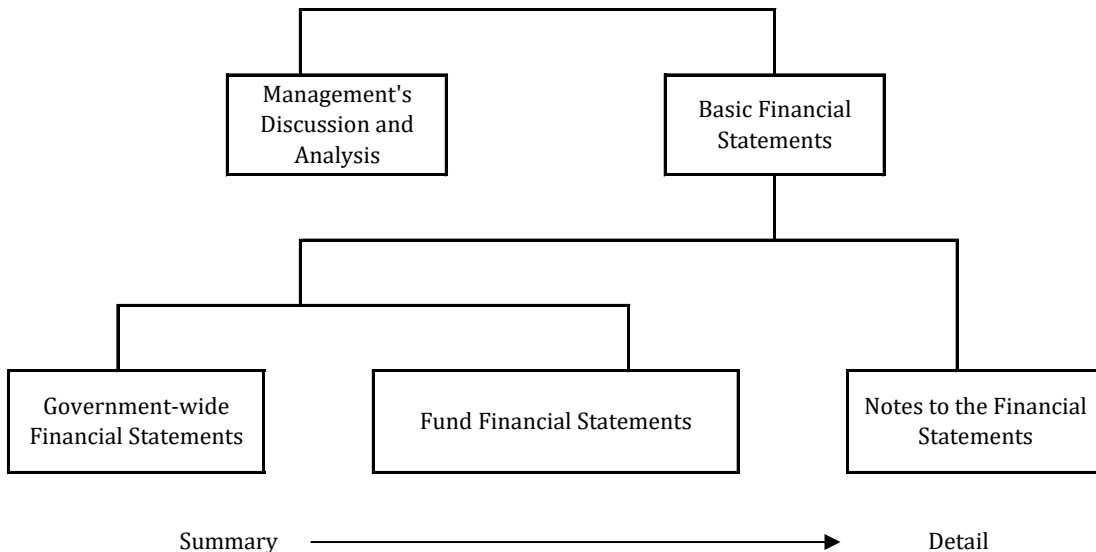
- The assets and deferred outflows of resources of Cherokee County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$45,507,039 (*net position*).
- The government's total net position increased by \$9,141,836.
- As of the close of the current fiscal year, Cherokee County's governmental funds reported combined ending fund balances of \$38,599,091, after a net increase in fund balance of \$4,896,676. Approximately 35.01% of this total amount, or \$13,515,167 is restricted or nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$13,257,889, or 26.60% of total General Fund expenditures for the fiscal year.
- The implementation of GASB 96 resulted in an initial increase in IT subscription liabilities of \$544,448. The amount of debt outstanding was subsequently reduced by the planned debt service principal payments of \$4,441,601. This resulted in a net decrease of the County's outstanding debt of \$4,012,708 (17.21%) for the year ended June 30, 2023.

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 8) 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; and 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 nonmajor governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains 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 it has changed. Net position is the difference between the County's total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The second 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 seven-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 governmental 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.

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 three fiduciary funds, all of which are custodial 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.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information immediately follows the notes to the financial statements.

Government-Wide Financial Analysis

Cherokee County, North Carolina's Net Position

Figure 2

	Governmental Activities	
	2023	2022
Current and other assets	\$ 45,186,971	\$ 40,047,201
Capital assets	44,144,740	42,154,629
Deferred outflows of resources	8,578,545	5,709,003
Total assets and deferred outflows of resources	97,910,256	87,910,833
Long-term liabilities outstanding	43,889,070	35,897,242
Other liabilities	6,079,794	10,479,476
Deferred inflows of resources	2,434,353	5,168,912
Total liabilities and deferred inflows of resources	52,403,217	51,545,630
Net position:		
Net investment in capital assets	22,623,018	16,923,978
Restricted	13,465,515	12,233,822
Unrestricted	9,418,506	7,207,703
Total net position	\$ 45,507,039	\$ 36,365,503

As noted earlier, over time net position may serve as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the County exceeded liabilities by \$45,507,039 as of June 30, 2023. The County's net position increased by \$9,141,836 for the fiscal year ended June 30, 2023. One of the largest portions of net position is \$22,623,018 (49.71%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the 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 the County's net position \$13,465,515 (29.59%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,418,506 (20.70%) is unrestricted.

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

- Diligence in the collection of property taxes was demonstrated by maintaining a tax collection percentage of 98.05%, excluding motor vehicles.
- The County has maintained stricter policies on spending and implemented cost saving measures.

Cherokee County, North Carolina's Changes in Net Position
Figure 3

	Governmental Activities	
	2023	2022
Revenues:		
Program revenues:		
Charges for services	\$ 7,332,158	\$ 8,044,230
Operating grants and contributions	14,634,156	19,061,219
Capital grants and contributions	1,024,575	477,650
General revenues:		
Property taxes	27,367,293	21,759,268
Other taxes	13,877,732	13,451,740
Grants and contributions not restricted to specific programs	2,178,618	1,841,900
Other	(87,666)	312,055
Total revenues	<u>66,326,866</u>	<u>64,948,062</u>
Expenses:		
General government	6,102,538	4,256,837
Public safety	16,498,193	18,671,563
Transportation	1,698,392	1,560,323
Economic and physical development	1,421,125	1,452,628
Environmental protection	2,833,583	1,683,310
Human services	11,230,803	12,682,970
Cultural and recreation	808,802	572,872
Education	16,541,129	18,700,324
Interest on long-term debt	50,465	20,025
Total expenses	<u>57,185,030</u>	<u>59,600,852</u>
Change in net position	9,141,836	5,347,210
Net position, beginning	<u>36,365,203</u>	<u>31,017,993</u>
Net position, ending	<u>\$ 45,507,039</u>	<u>\$ 36,365,203</u>

Governmental activities. Governmental activities increased the County's net position by \$9,141,836. Key elements of this increase are as follows:

- Maintenance of the County's high tax collection rate of 98.05% and an 8 cent increase in the County's property tax millage rate.
- Property taxes provided 41.26% of funding at \$27,367,293.
- The increase in other taxes was due to an increase in the amount of sales tax received.
- General revenues increased by 16%.
- The primary cause of the increase in net position was the significant increase in capital grants and contributions and property taxes.
- Governmental expenses decreased by 4.05%.

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Cherokee County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Cherokee County's financing requirements. Specifically, 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 the County. At the end of the current fiscal year, the County's fund balance available in the General Fund was \$30,640,356 while total fund balance reached \$37,722,688. 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 61.14% of General Fund expenditures, while total fund balance represents 75.27% of the same amount.

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 \$1,210,660. Budget amendments were made concurrently as facts and circumstances became known with revenue and expenditure streams.

Capital Asset and Debt Administration

Capital Assets. Cherokee County, North Carolina's capital assets for its governmental activities as of June 30, 2023, totals \$44,144,740 (net of accumulated depreciation and amortization). These assets include land, construction in progress, buildings, improvements, equipment, vehicles, and right-to-use assets.

Major capital asset transactions during the year include the following:

Governmental Activities.

- Purchased a compactor for the Landfill.
- Purchased computer equipment for the Information Technology Department, Central Communications, and Social Services.
- Purchased vehicles for the Information Technology Department, the Sheriff's Office, the Detention Center, the Cooperative Extension Department, Environmental Health, and Social Services.
- Purchased upgraded door controls and camera system for the Detention Center.
- Purchased a radio simulcast project for Central Communications.
- Purchased defibrillators and cots for Emergency Medical Services.
- Addition of construction in progress for the EMS Station project.
- Purchased a security fence for the Airport.
- Purchased 27.58 acres of land for Cherokee County Industrial Park.
- Purchased a mobile unit for Social Services.
- Purchased a mini excavator for the Landfill.

Construction commitments

The County has the following active construction projects as of June 30, 2023:

Project	Spent-to-date	Remaining Commitment
EMS Station 1	\$ 1,411,560	\$ 991,805
Central Communications - Radio Simulcast	746,838	114,835
Total	<u>\$ 2,158,398</u>	<u>\$ 1,106,640</u>

Cherokee County, North Carolina's Capital Assets (Net of depreciation/amortization)

Figure 4

	Governmental Activities	
	2023	2022
Capital assets:		
Capital assets not being depreciated		
Land	\$ 7,686,029	\$ 6,993,458
Construction in progress	2,699,864	1,335,966
Total capital assets not being depreciated	<u>10,385,893</u>	<u>8,329,424</u>

Land improvements	3,155,022	3,339,735
Buildings	19,317,185	19,897,852
Other improvements	6,196,892	6,314,908
Equipment	2,649,970	2,447,387
Computers and electronic equipment	456,208	501,944
Vehicles and motorized equipment	1,250,504	1,077,666
Right-to-use assets:		
Leased land and buildings	215,370	231,937
Leased equipment, furniture and fixtures	7,741	13,776
IT subscriptions	509,955	-
Total capital assets	<u>\$ 44,144,740</u>	<u>\$ 42,154,629</u>

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

Long-Term Obligations. Debt totals include direct placement installment purchases, litigation settlement, leases, and IT subscription liabilities. As of June 30, 2023, Cherokee County had total debt outstanding of \$21,795,535. The entire debt is backed by the full faith and credit of the County. Compensated absences and unpaid pension related debt are included in the total long-term obligations.

Cherokee County, North Carolina's Long-Term Obligations

Figure 5

	Governmental Activities	
	2023	2022
Direct placement installment purchases	\$ 638,655	\$ 1,063,741
Lease liabilities	227,987	244,502
IT subscription liabilities	428,893	-
Litigation settlement	20,500,000	24,500,000
Total debt outstanding	<u>21,795,535</u>	<u>25,808,243</u>
Landfill closure costs	7,610,112	7,277,393
Total OPEB liability	3,041,707	3,458,847
Compensated absences	937,365	933,298
Net pension liability (LGERS)	10,797,129	2,669,531
Total pension obligation (LEOSSA)	706,894	771,531
Total long-term obligations	<u>\$ 44,888,742</u>	<u>\$ 40,918,843</u>

The implementation of GASB 96 resulted in an initial increase in IT subscription liabilities of \$544,448. The amount of debt outstanding was subsequently reduced by the planned debt service principal payments of \$4,441,601. This resulted in a net decrease of the County's outstanding debt of \$4,012,708 (17.21%) for the year ended June 30, 2023.

Under State law, counties are fiscally responsible for providing and maintaining school buildings for the public school system and the community college. At June 30, 2023, the County had debt outstanding of \$273,813 for these activities.

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 \$303,234,812.

Additional information regarding Cherokee County, North Carolina's long-term debt can be found in Note III.B.7 of the Basic Financial Statements.

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, 2023, the County had an unemployment rate of 3.9%, which is higher than the statewide rate (not seasonally adjusted) of 3.6%.
- Population estimates indicate continued growth.

Budget Highlights for the Fiscal Year Ending June 30, 2024**Governmental Activities:**

- Property tax rate remained the same at \$.61 per \$100 of value.
- No increase in fees.
- \$2,928,572 addition to designated General Fund Balance for the July 15, 2024 DSS suit settlement payment.
- An increase in budgeted sales tax proceeds of 7% or approximately \$805,466.
- An increase in budgeted TVA Payments in Lieu of Taxes (PILT) of \$250,000.
- 64.9% of the general fund expenditures are allocated to the following functions: public safety, human services, and education.
- \$1,567,841 use of General Fund Balance for the following major capital needs:
 - Articulating dump truck - \$260,000.
 - Front-loader solid waste collection truck - \$393,710.
 - Frazier ambulance remounts (3 units) - \$664,131.
 - Health Department flooring system replacement - \$250,000.
- 2% cost of living adjustment.
- Operational expansion of the Solid Waste Program - \$64,831.
- \$400,000 appropriated as Contingency to address unexpected needs or opportunities.
- \$133,234 increase in funding to Valley River Humane Society.
- \$192,000 increase in insurance and bonding.

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:

Candy Anderson, CPA, CGMA - Chief Financial Officer
75 Peachtree Street, Murphy, NC 28906
candy.anderson@cherokeecounty-nc.gov
(828) 837-2130
www.cherokeecounty-nc.gov

Basic Financial Statements

Cherokee County, North Carolina
Statement of Net Position
June 30, 2023

	Primary Government	Component Unit
	Governmental Activities	Tourism Development Authority
ASSETS		
Cash and cash equivalents	\$ 33,636,254	\$ 1,537,691
Restricted cash	1,470,325	-
Investments	613,132	-
Receivables (net)	5,612,755	137,966
Due from other governments	3,711,033	-
Inventories	35,331	-
Prepaid items	55,824	-
Net pension asset	52,317	-
Capital assets:		
Land and construction in progress	10,593,689	-
Other capital assets, net of depreciation	32,817,985	190,058
Right-to-use assets, net of amortization	733,066	-
Total capital assets	<u>44,144,740</u>	<u>190,058</u>
Total assets	<u><u>89,331,711</u></u>	<u><u>1,865,715</u></u>
DEFERRED OUTFLOWS OF RESOURCES	8,578,545	-
LIABILITIES		
Accounts payable and accrued expenses	3,683,081	34,345
Accrued interest payable	33,756	-
Unearned revenue	1,363,285	-
Current portion of long-term liabilities	999,672	-
Long-term liabilities:		
Due in more than one year	43,889,070	-
Total liabilities	<u>49,968,864</u>	<u>34,345</u>
DEFERRED INFLOWS OF RESOURCES	2,434,353	-
NET POSITION		
Net investment in capital assets	22,623,018	190,058
Restricted for:		
General government	5,100	-
Transportation	93,505	-
Public safety	663,784	-
Education	4,307,579	-
Register of Deeds' pension plan	52,317	-
Stabilization by State statute	8,244,684	137,966
Human services	98,546	-
Unrestricted (deficit)	9,418,506	1,503,346
Total net position	<u><u>\$ 45,507,039</u></u>	<u><u>\$ 1,831,370</u></u>

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, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit
					Governmental Activities	Total	Tourism Development Authority
Primary government:							
Governmental Activities:							
General government	\$ 6,102,538	\$ 535,008	\$ 399,243	\$ -	\$ (5,168,287)	\$ (5,168,287)	
Public safety	16,498,193	3,330,943	661,453	972,561	(11,533,236)	(11,533,236)	
Transportation	1,698,392	574,479	690,236	52,014	(381,663)	(381,663)	
Economic and physical development	1,421,125	9,786	775	-	(1,410,564)	(1,410,564)	
Environmental protection	2,833,583	2,103,391	780,653	-	50,461	50,461	
Human services	11,230,803	776,556	5,468,410	-	(4,985,837)	(4,985,837)	
Cultural and recreation	808,802	1,995	-	-	(806,807)	(806,807)	
Education	16,541,129	-	6,633,386	-	(9,907,743)	(9,907,743)	
Interest on long-term debt	50,465	-	-	-	(50,465)	(50,465)	
Total governmental activities	<u>\$ 57,185,030</u>	<u>\$ 7,332,158</u>	<u>\$ 14,634,156</u>	<u>\$ 1,024,575</u>	<u>(34,194,141)</u>	<u>(34,194,141)</u>	
Component unit:							
Tourism Development Authority	<u>\$ 467,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ (467,188)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					27,367,293	27,367,293	-
Local option sales tax					12,361,842	12,361,842	-
Other taxes and licenses					1,515,890	1,515,890	777,014
Grants and contributions not restricted to specific programs					2,178,618	2,178,618	-
Investment earnings, unrestricted					92,642	92,642	-
Miscellaneous, unrestricted					205,545	205,545	-
Gain (loss) on sale of capital assets					(385,853)	(385,853)	-
Total general revenues excluding transfers and special items					<u>43,335,977</u>	<u>43,335,977</u>	<u>777,014</u>
Change in net position					9,141,836	9,141,836	309,826
Net position, beginning					36,365,203	36,365,203	1,521,544
Net position, ending					<u>\$ 45,507,039</u>	<u>\$ 45,507,039</u>	<u>\$ 1,831,370</u>

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

Cherokee County, North Carolina
Balance Sheet - Governmental Funds
June 30, 2023

	Major				Nonmajor	Total
	General Fund	Capital Projects Fund	School Improvement Fund	Opioid Settlement Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 33,038,608	\$ -	\$ 84,502	\$ -	\$ 513,144	\$ 33,636,254
Restricted cash	102,005	705,470	-	654,304	8,546	1,470,325
Investments	613,132	-	-	-	-	613,132
Receivables, net						
Taxes	522,620	-	-	-	66,368	588,988
Accounts	3,269,330	-	1,220,978	-	43,343	4,533,651
Leases	456,539	-	-	-	-	456,539
Due from other governments	3,711,033	-	-	-	-	3,711,033
Inventories	35,331	-	-	-	-	35,331
Prepaid items	55,824	-	-	-	-	55,824
Total assets	<u>41,804,422</u>	<u>705,470</u>	<u>1,305,480</u>	<u>654,304</u>	<u>631,401</u>	<u>45,101,077</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	2,482,747	200,370	950,219	-	49,745	3,683,081
Unearned revenue	209,735	500,000	-	653,550	-	1,363,285
Total liabilities	<u>2,692,482</u>	<u>700,370</u>	<u>950,219</u>	<u>653,550</u>	<u>49,745</u>	<u>5,046,366</u>
DEFERRED INFLOWS OF RESOURCES	1,389,252	-	-	-	66,368	1,455,620
Fund balances:						
Nonspendable:						
Inventories	35,331	-	-	-	-	35,331
Prepaid items	55,824	-	-	-	-	55,824
Leases	10,814	-	-	-	-	10,814
Restricted:						
Stabilization by State statute	6,980,363	-	1,220,978	-	43,343	8,244,684
General government	-	5,100	-	-	-	5,100
Public safety	323,401	-	-	-	340,383	663,784
Transportation	-	-	-	-	93,505	93,505
Human services	59,735	-	-	754	38,057	98,546
School capital outlay	4,307,579	-	-	-	-	4,307,579
Committed:						
Tax revaluation	102,005	-	-	-	-	102,005
School capital outlay	598,696	-	-	-	-	598,696
Education	2,983,593	-	-	-	-	2,983,593
Law enforcement	88,827	-	-	-	-	88,827
Human services - social services	50,557	-	-	-	-	50,557
General government - capital outlay	41,897	-	-	-	-	41,897
Public safety - capital outlay	111,650	-	-	-	-	111,650
Economic and physical development	4,781	-	-	-	-	4,781
Working capital	7,806,036	-	-	-	-	7,806,036
Assigned:						
Subsequent year's expenditures	903,710	-	-	-	-	903,710
Unassigned:	13,257,889	-	(865,717)	-	-	12,392,172
Total fund balances	<u>37,722,688</u>	<u>5,100</u>	<u>355,261</u>	<u>754</u>	<u>515,288</u>	<u>38,599,091</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 41,804,422</u>	<u>\$ 705,470</u>	<u>\$ 1,305,480</u>	<u>\$ 654,304</u>	<u>\$ 631,401</u>	<u>\$ 45,101,077</u>

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

Cherokee County, North Carolina
Balance Sheet - Governmental Funds
June 30, 2023

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

Fund balances - total governmental funds	\$ 38,599,091
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	43,411,674
Right-to-use assets used in governmental activities are not financial resources and therefore are not reported in the funds.	733,066
Net pension asset	52,317
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the statement of net position.	1,875,500
Contributions and pension administration costs for OPEB are deferred outflows of resources on the statement of net position.	89,640
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	33,577
Net pension liability	(10,797,129)
Total OPEB liability	(3,041,707)
Total pension liability	(706,894)
Deferred inflows of resources for taxes and special assessments receivable	588,988
Pension related deferrals	5,340,847
OPEB related deferrals	(295,163)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(30,376,768)</u>
Net position of governmental activities	<u><u>\$ 45,507,039</u></u>

Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2023

	Major				Nonmajor	Total
	General Fund	Capital Projects Fund	School Improvement Fund	Opioid Settlement Fund	Other Governmental Funds	
REVENUES						
Ad valorem taxes	\$24,757,358	\$ -	\$ -	\$ -	\$ 2,437,379	\$27,194,737
Local option sales tax	12,361,842	-	-	-	-	12,361,842
Other taxes and licenses	1,515,890	-	-	-	-	1,515,890
Unrestricted intergovernmental	2,178,618	-	-	-	-	2,178,618
Restricted intergovernmental	7,558,727	929,492	6,491,647	-	709,713	15,689,579
Permits and fees	2,305,041	-	-	-	6,498	2,311,539
Sales and services	4,884,477	-	-	-	105,294	4,989,771
Investment earnings	90,026	1,242	255	751	368	92,642
Miscellaneous	285,631	-	-	-	-	285,631
Total revenues	<u>55,937,610</u>	<u>930,734</u>	<u>6,491,902</u>	<u>751</u>	<u>3,259,252</u>	<u>66,620,249</u>
EXPENDITURES						
Current:						
General government	5,559,893	-	-	-	451,264	6,011,157
Public safety	13,939,413	1,118,166	-	-	2,325,061	17,382,640
Transportation	1,197,355	-	-	-	57,794	1,255,149
Environmental protection	2,736,947	-	-	-	-	2,736,947
Economic and physical development	2,121,820	-	-	-	-	2,121,820
Human services	14,633,373	-	-	-	278,041	14,911,414
Cultural and recreational	708,056	-	-	-	-	708,056
Intergovernmental:						
Education	8,422,455	-	8,118,674	-	-	16,541,129
Debt service:						
Principal	557,156	-	-	-	-	557,156
Interest	42,553	-	-	-	-	42,553
Total expenditures	<u>49,919,021</u>	<u>1,118,166</u>	<u>8,118,674</u>	<u>-</u>	<u>3,112,160</u>	<u>62,268,021</u>
Excess (deficiency) of revenues over expenditures	<u>6,018,589</u>	<u>(187,432)</u>	<u>(1,626,772)</u>	<u>751</u>	<u>147,092</u>	<u>4,352,228</u>
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	-	-	-	-	5,780	5,780
Transfers to other funds	(198,279)	192,499	-	-	-	(5,780)
IT subscription agreements	544,448	-	-	-	-	544,448
Total other financing sources (uses)	<u>346,169</u>	<u>192,499</u>	<u>-</u>	<u>-</u>	<u>5,780</u>	<u>544,448</u>
Net change in fund balances	6,364,758	5,067	(1,626,772)	751	152,872	4,896,676
Fund balances, beginning	31,357,930	33	1,982,033	3	362,416	33,702,415
Fund balances, ending	<u>\$37,722,688</u>	<u>\$ 5,100</u>	<u>\$ 355,261</u>	<u>\$ 754</u>	<u>\$ 515,288</u>	<u>\$38,599,091</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, 2023

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

Net changes in fund balances - total governmental funds	\$	4,896,676
<p>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 and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.</p>		
Capital outlay expenditures which were capitalized	4,501,777	
Depreciation expense for governmental assets	<u>(2,533,080)</u>	1,968,697
Right-to-use assets capital outlay expenditures which were capitalized	619,441	
Amortization expense for intangible assets	<u>(132,088)</u>	487,353
Cost of capital assets disposed of during the year, not recognized on modified accrual basis		(465,939)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities		1,875,500
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the statement of activities		89,640
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		172,556
<p>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.</p>		
New long-term debt issued		(544,448)
Principal payments on long-term debt		557,156
Change in accrued interest payable		(7,912)
Change in landfill closure costs		(332,719)
Change in litigation settlement		4,000,000
<p>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.</p>		
Compensated absences		(4,067)
Pension expense		(3,209,328)
OPEB plan expense		<u>(341,329)</u>
Total changes in net position of governmental activities	<u>\$</u>	<u>9,141,836</u>

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

Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2023

	General Fund			Variance with Final Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Ad valorem taxes	\$ 24,003,968	\$24,003,968	\$24,757,358	\$ 753,390
Local option sales tax	11,068,006	11,343,306	12,361,842	1,018,536
Other taxes and licenses	1,484,250	1,499,250	1,515,890	16,640
Unrestricted intergovernmental	1,810,000	1,810,000	2,178,618	368,618
Restricted intergovernmental	6,495,974	7,300,592	7,558,727	258,135
Permits and fees	2,305,844	2,326,470	2,305,041	(21,429)
Sales and services	4,601,623	4,611,623	4,884,477	272,854
Investment earnings	15,900	15,900	89,868	73,968
Miscellaneous	108,287	193,403	285,631	92,228
Total revenues	<u>51,893,852</u>	<u>53,104,512</u>	<u>55,937,452</u>	<u>2,832,940</u>
EXPENDITURES				
Current:				
General government	5,376,888	6,258,657	5,483,884	774,773
Public safety	15,075,232	16,751,735	13,939,413	2,812,322
Transportation	1,398,526	1,552,446	1,197,355	355,091
Environmental protection	2,542,967	3,335,042	2,736,947	598,095
Economic and physical development	1,286,068	2,216,255	2,121,820	94,435
Human services	16,481,610	16,729,549	14,633,373	2,096,176
Cultural and recreational	752,135	819,631	708,056	111,575
Education	7,718,436	9,397,755	8,422,455	975,300
Debt service:				
Principal retirement	425,088	607,832	557,156	50,676
Interest and fees	24,083	59,409	42,553	16,856
Contingency	400,000	-	-	-
Total expenditures	<u>51,481,033</u>	<u>57,728,311</u>	<u>49,843,012</u>	<u>7,885,299</u>
Revenues over (under) expenditures	<u>412,819</u>	<u>(4,623,799)</u>	<u>6,094,440</u>	<u>10,718,239</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(75,000)	(1,365,080)	(273,279)	1,091,801
IT subscription agreements	-	544,448	544,448	-
Increase in fund balance	<u>(2,510,436)</u>	<u>(2,510,436)</u>	<u>-</u>	<u>2,510,436</u>
Total other financing sources (uses)	<u>(2,585,436)</u>	<u>(3,331,068)</u>	<u>271,169</u>	<u>3,602,237</u>
Fund balance appropriated	<u>2,172,617</u>	<u>7,954,867</u>	<u>-</u>	<u>(7,954,867)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>6,365,609</u>	<u>\$ 6,365,609</u>
Fund balances, beginning			<u>31,257,158</u>	
Fund balances, ending			<u>\$37,622,767</u>	

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

Cherokee County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 74,094</u>
 LIABILITIES AND NET POSITION	
LIABILITIES	
Due to other governments	<u>11,363</u>
Total liabilities	<u>11,363</u>
 NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	<u>62,731</u>
Total fiduciary net position	<u>\$ 62,731</u>

Cherokee County, North Carolina
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	Custodial Funds
ADDITIONS	
Ad valorem taxes collected for other governments	\$ 116,832
Collection on behalf of inmates	296,650
Collections for civil judgments	34,688
Total additions	448,170
DEDUCTIONS	
Tax distributions to other governments	116,832
Payments on behalf of inmates	307,402
Payments to satisfy civil judgments	34,688
Total deductions	458,922
Net increase (decrease) in fiduciary net position	(10,752)
Net position, beginning	73,483
Net position, ending	\$ 62,731

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, 2023**

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**Cherokee County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2023**

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Cherokee County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2023

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 it is legally separate from the County.

Discretely Presented Component Unit

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 was a separate governmental fund of the County. 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) and its component unit. 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. The County had no business-type activities.

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 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 nonmajor funds.

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.

Capital Projects Fund. This fund accounts for the financial resources to be used for acquisition and construction for major capital facilities and capital projects within the County.

School Improvement Fund. This fund, which is reported as a capital project fund, is used to account for the construction of new school facilities and is financed by grant monies from the Needs-Based State Public School Building Capital Fund and transfers from the General Fund.

Opioid Settlement Fund. In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a \$26 billion-dollar nationwide settlement related to multiple opioid lawsuits. These funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The opioid settlement funds may support programs or services that serve persons with Opioid Use Disorder (OUD) or any co-occurring Substance Use Disorder (SUD) or mental health condition.

The County reports the following fund types:

Custodial Funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following custodial funds: the Municipal Tax Fund, which accounts for ad valorem and vehicle property taxes that are billed and collected by the County for various municipalities within the County but that are not revenues to the County, the Jail Inmate Pay Fund, which holds cash deposited for the benefit of incarcerated inmates, and the Sheriff's Civil Executions Fund, which accounts for monies collected by the Sheriff's office for civil judgments.

Nonmajor Funds. The County maintains eight legally budgeted nonmajor funds. The Emergency Telephone System Fund, Fire District Fund, Bear Paw Service District Fund, Representative Payee Fund, Fines and Forfeitures Fund, Deed of Trust Fund, and the Sheriff Grant Fund are reported as nonmajor special revenue funds. The Airport Improvement Projects Fund is reported as a nonmajor capital project fund.

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 and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the custodial funds which have no measurement focus. The government-wide 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.

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 leases and IT subscriptions 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. Since September 1, 2013, the State of North Carolina has been responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. These property taxes are due when vehicles are registered. Motor vehicle property tax revenues are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, are for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, 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 is 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 General Fund and the Special Revenue Funds (excluding the Grant Project Funds). All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue Grant Project Funds and the Capital Project Funds, which lapse at the end of each respective project.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

D. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity

1. Deposits and Investments

All deposits of the County and the Authority are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and the 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 Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market deposit accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County and the 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 Authority's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The County pools money 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. The Authority considers demand deposits and investments with a maturity date of 90 days or less at time of purchase to be cash and cash equivalents.

3. Restricted Assets

Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. The unexpended grant proceeds that are restricted by revenue source are also classified as restricted assets. Money in the Opioid Settlement Fund is classified as restricted assets because its use is restricted per North Carolina's Memorandum of Agreement (MOA) between the state and local governments for the settlement funds. The following table illustrates the breakdown of the County's restricted assets.

Cherokee County Restricted Cash			
Governmental Activities			
General Fund	Tax revaluation	\$	102,005
EMS Station Capital Projects Fund	Unexpended grant proceeds		705,470
Opioid Settlement Fund	Unexpended settlement proceeds		654,304
Sheriff Grant Fund	Unexpended grant proceeds		8,546
Total Governmental Activities Restricted Cash			\$ 1,470,325

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, 2022. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Leases Receivable

The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

6. 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.

7. 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.

8. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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.

The County's capital assets also include certain right-to-use assets. These right-to-use assets arise in association with agreements where the County reports a lease (only applies when the County is the lessee) or agreements where the County reports an Information Technology (IT) subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right-to-use lease assets are amortized on a straight-line basis over the life of the related lease.

The right-to-use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right-to-use subscription assets should be amortized on a straight-line basis over the subscription term.

Capital assets are depreciated/amortized over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land improvements	10 - 20
Buildings	50
Other improvements	10 - 25
Equipment	10
Software	4
Computer and electronic equipment	4
Vehicles and motorized equipment	4
Right-to-use assets:	
Leased land and buildings	Lease Term
Leased equipment, furniture and fixtures	Lease Term
IT subscriptions	Subscription Term

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

Asset Class	Estimated Useful Lives
Buildings	50
Other improvements	10 - 25
Furniture and fixtures	7
Equipment	5
Vehicles	5

9. Unearned Revenue

The County reports unearned revenue on its government-wide and fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the County and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized.

10. 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 two items that meets this criterion - pension and OPEB related deferrals in the current fiscal year. 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 several items that meet the criterion for this category - prepaid taxes, property taxes receivable, leases, and pension and OPEB related deferrals.

11. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities on the statement of net position.

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

12. Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the County's government-wide statements, an expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned. Compensated absences typically have been liquidated in the General Fund and are accounted for on a last-in, first-out basis, assuming that employees are taking leave time as it 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.

13. Opioid Settlement Funds

In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a \$26 billion-dollar nationwide settlement related to multiple opioid lawsuits. These funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The majority of these funds are intended for opioid abatement and the distribution of the funds will be front loaded.

North Carolina's Memorandum of Agreement (MOA) between the state and local governments for the settlement funds allocates the funds as follows:

- 15% directly to the State ("State Abatement Fund")
- 80% to abatement funds established by Local Governments ("Local Abatement Funds")
- 5% to a County Incentive Fund.

The County received \$426,787 as part of this settlement in Fiscal Year 2023. Per the terms of the MOA, the County created a special revenue fund, the Opioid Settlement Fund, to account for these funds. All funds are to be used for opioid abatement and remediation activities. Funds are restricted until expended. No funds have been expended as of June 30, 2023. The MOA offered the County two options of expending the funds. The County opted for Option A, which allows the County to fund one or more high-impact strategies from a list of evidence-based strategies to combat the opioid epidemic.

14. 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.

Prepaid items - portion of fund balance that is not an available resource because it represents payments to vendors for costs applicable to future accounting periods, which are not spendable resources.

Leases - portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

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

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

Restricted for general government - portion of fund balance restricted by revenue source for future capital improvements.

Restricted for public safety - portion of fund balance 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 Western Carolina Regional Airport.

Restricted for human services - portion of fund balance restricted by revenue source for the social services Share the Warmth Shareholder Grant and the portion of fund balance that can only be used to benefit beneficiaries under the Social Security's Representative Payee Program.

Restricted for school capital outlay - portion of fund balance restricted by revenue source for school capital outlay.

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 education - portion of fund balance that can only be used for education.

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

Committed for human services - social services - portion of fund balance that can only be used for adoption promotion, foster child assistance, and social services trust expenditures.

Committed for general government - capital outlay - portion of fund balance that can only be used for the following future capital outlay expenditures: repairs and maintenance to the Cherokee County Fairgrounds and general building repairs and maintenance.

Committed for public safety - capital outlay - portion of fund balance that can only be used for rescue equipment expenditures for fire departments and armory renovations.

Committed for economic and physical development - portion of fund balance that can only be used for the cooperative extension.

Committed for working capital - portion of fund balance that can only be used to comply with the County's fund balance policy.

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 Chief Financial Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-county 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 Chief Financial Officer has the authority to deviate from this policy if it is in the best interest of the County.

15. Defined Benefit Pension and OPEB Plans

The County participates in three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS), the Registers of Deeds' Supplemental Pension Fund (RODSPF), the Law Enforcement Officers' Special Separation Allowance (LEOSSA) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments for all plans are reported at fair value.

16. 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.

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 \$6,743,461 consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds	\$ 76,342,688
Less accumulated depreciation	(32,931,014)
Net capital assets	43,411,674
Right-to-use assets used in governmental activities are not financial resources and are therefore not reported in the funds	887,757
Less accumulated amortization	(154,691)
Net right-to-use assets	733,066
Net pension asset	52,317
Contributions to the pension plan in the current fiscal year	1,875,500
Contributions and pension administration costs for OPEB are deferred outflows of resources on the statement of net position	89,640
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	33,577
Deferred inflows of resources for taxes and special assessments receivable	588,988
Pension related deferrals	5,340,847
OPEB related deferrals	(295,163)
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, IT subscription liabilities, and installment financing	(1,295,535)
Compensated absences	(937,365)
Total OPEB liability	(3,041,707)
Landfill closure costs	(7,610,112)
Litigation settlement	(20,500,000)
Total pension liability	(706,894)
Net pension liability	(10,797,129)
Accrued interest payable	(33,756)
Total adjustment	<u>\$ 6,907,948</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 \$4,080,673 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 5,121,218
Depreciation and amortization expense, the allocation of those assets over their useful lives that is recorded on the statement of activities, but not in the fund statements	(2,665,168)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(465,939)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(544,448)
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	557,156
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	1,875,500
Contributions to the OPEB plan in the current fiscal year are not included on the statement of activities	89,640
Change in the current fiscal year landfill closure cost is not included on the statement of activities	(332,719)
Change in the current fiscal year litigation settlement is not included on the statement of activities	4,000,000

Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:

OPEB expense	(341,329)
County's portion of collective pension expense	(3,209,328)
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	(7,912)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(4,067)

Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:

Change in deferred inflows of resources - taxes receivable - at end of year	163,835
Change in accrued taxes receivable at end of year	8,721
Total adjustment	<u>\$ 4,245,160</u>

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

The audited financial statements were not submitted timely in accordance with State law. G.S. 159-34(a) states that each unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year. While the County believes this occurred due to unforeseen circumstances and issues beyond their control, the County will continue to improve existing procedures to ensure that financial data that is collected and reviewed is reported timely.

2. Contractual Violations

None Noted.

B. Deficit in Fund Balance of Individual Funds Not Appropriated in Subsequent Year's Budget Ordinance

None Noted.

C. Excess of Expenditures over Appropriations

None Noted.

III. Detail Notes on All Funds

A. Assets

1. Deposits

The deposits of the County and the 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 entities' names. 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 or the Authority 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 complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2023, the County's deposits had a carrying amount of \$35,179,199 a bank balance of \$36,563,563. Of the bank balance, \$319,477 was covered by federal depository insurance, and \$36,244,086 in deposits was covered by collateral held under the Pooling Method. At June 30, 2023, Cherokee County had \$1,475 cash on hand.

Also, at June 30, 2023, the deposits of the Authority, had a carrying value of \$1,537,691 and a bank balance of \$1,483,181. Of the bank balance \$250,000 was covered by federal depository insurance, and \$1,223,181 was covered by collateral held under the Pooling Method.

2. Investments

As of June 30, 2023, the County had the following investments and maturities:

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 Months	6 - 12 Months
NC Capital Management Trust:				
Government Portfolio	Fair Value - Level 1	\$ 613,132	N/A	N/A
Total		<u>\$ 613,132</u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

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). The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2023.

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
2019	\$ 931,123	\$ 311,926	\$ 1,243,049
2020	586,115	143,598	729,713
2021	646,163	100,155	746,318
2022	772,689	50,225	822,914
Total	<u>\$ 2,936,090</u>	<u>\$ 605,904</u>	<u>\$ 3,541,994</u>

4. Receivables

Receivables at the government-wide level at June 30, 2023, were as follows:

	Accounts Receivable	Taxes Receivable	Accrued Interest	Lease	Total
Governmental Activities:					
General	\$ 3,323,504	\$ 729,883	\$ 33,577	\$ 456,539	\$ 4,543,503
Other governmental	1,264,321	66,368	-	-	1,330,689
Total receivables	4,587,825	796,251	33,577	456,539	5,874,192
Allowance for doubtful accounts	(54,174)	(207,263)	-	-	(261,437)
Total governmental activities	<u>\$ 4,533,651</u>	<u>\$ 588,988</u>	<u>\$ 33,577</u>	<u>\$ 456,539</u>	<u>\$ 5,612,755</u>

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

Local option sales tax	\$ 3,274,795
Scrap tire tax	13,918
Solid waste disposal tax	6,875
Utility sales tax	9,696
Sales tax refund	405,749
Total	<u>\$ 3,711,033</u>

In July 2022, the County entered into a lease with Cellco Partnership dba Verizon Wireless (tenant). Under the lease, the tenant pays the County in exchange for the use of the County's real property located at 9285 US Highway 64, Murphy, NC. The lessee was required to make monthly fixed payments of \$1,100 per month for 56 months; \$1,265 per month for 60 months; \$1,455 per month for 60 months; \$1,673 per month for 60 months; and \$1,924 per month for 60 months. There are no variable components in the lease. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 4.85%.

The County recognized revenue of \$2,547 and \$11,574 of interest revenue under the lease for the fiscal year ended June 30, 2023.

In July 2022, the County entered into a lease with Murphy Health and Fitness, LLC (tenant). Under the lease, the tenant pays the County in exchange for the use of the County's real property located at 695 Connahetta Street, Murphy, NC. The lessee was required to make monthly fixed payments of \$1,500 per month for 231 months. There are no variable components in the lease. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 4.85%.

The County recognized revenue of \$8,159 and \$10,680 of interest revenue under the lease for the fiscal year ended June 30, 2023.

Discretely presented component unit

Cherokee County Tourism Development Authority's receivables consist of occupancy taxes of \$137,966 at June 30, 2023. Management expects all accounts receivable to be collected; therefore, no allowance for doubtful accounts has been recorded.

5. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2023, was as follows:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Governmental Activities:					
Capital assets not being depreciated					
Land	\$ 6,993,458	\$ 692,571	\$ -	\$ -	\$ 7,686,029
Construction in progress	1,335,966	1,571,694	(207,796)	-	2,699,864
Total capital assets not being depreciated	8,329,424	2,264,265	(207,796)	-	10,385,893
Capital assets being depreciated					
Land improvements	3,694,243	-	-	-	3,694,243
Buildings	29,771,695	-	-	-	29,771,695
Other improvements	16,634,269	258,758	207,796	-	17,100,823
Equipment	5,184,604	1,052,436	-	845,536	5,391,504
Software	528,475	-	-	-	528,475
Computers and electronic equipment	2,338,037	179,429	-	134,230	2,383,236
Vehicles and motorized equipment	6,484,038	746,889	-	144,108	7,086,819
Total capital assets being depreciated	64,635,361	2,237,512	207,796	1,123,874	65,956,795
Less accumulated depreciation for:					
Land improvements	354,508	184,713	-	-	539,221
Buildings	9,873,843	580,667	-	-	10,454,510
Other improvements	10,319,361	584,570	-	-	10,903,931
Equipment	2,737,217	383,914	-	379,597	2,741,534
Software	528,475	-	-	-	528,475
Computers and other electronic equipment	1,836,093	225,165	-	134,230	1,927,028
Vehicles and motorized equipment	5,406,372	574,051	-	144,108	5,836,315
Total accumulated depreciation	31,055,869	2,533,080	-	657,935	32,931,014
Total capital assets being depreciated, net	33,579,492				33,025,781

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Capital assets being amortized					
Right-to-use assets:					
Leased land and buildings	248,504	-	-	-	248,504
Leased equipment, furniture and fixtures	19,812	-	-	-	19,812
IT subscriptions	-	619,441	-	-	619,441
Total capital assets being amortized	268,316	619,441	-	-	887,757
Less accumulated amortization for:					
Right-to-use assets:					
Leased land and buildings	16,567	16,567	-	-	33,134
Leased equipment, furniture and fixtures	6,036	6,035	-	-	12,071
IT subscriptions	-	109,486	-	-	109,486
Total accumulated amortization	22,603	132,088	-	-	154,691
Total capital assets being amortized, net	245,713				733,066
Governmental activities capital assets, net	\$ 42,154,629				\$ 44,144,740

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

General government	\$ 581,910
Public safety	813,831
Transportation	478,934
Economic and physical development	28,059
Human services	168,561
Environmental protection	476,507
Cultural and recreational	117,366
Total depreciation expense	\$ 2,665,168

Construction commitments

The County has the following active construction projects as of June 30, 2023:

Project	Spent-to-date	Remaining Commitment
EMS Station 1	\$ 1,411,560	\$ 991,805
Simulcast	746,838	114,835
Total	\$ 2,158,398	\$ 1,106,640

Discretely presented component unit

Capital asset activity for the Cherokee County Tourism Development Authority for the year ended June 30, 2023, was as follows:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Capital assets being depreciated					
Buildings	\$ 162,551	\$ -	\$ -	\$ -	\$ 162,551
Building improvements	54,626	-	-	-	54,626
Total capital assets being depreciated	217,177	-	-	-	217,177
Less accumulated depreciation for:					
Buildings	20,590	3,251	-	-	23,841
Building improvements	1,093	2,185	-	-	3,278
Total accumulated depreciation	21,683	5,436	-	-	27,119
Total capital assets being depreciated, net	195,494				190,058
Component unit capital assets, net	\$ 195,494				\$ 190,058

B. Liabilities**1. Payables**

Payables at the government-wide level at June 30, 2023, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 1,083,218	\$ 1,399,529	\$ 2,482,747
Other governmental	179,537	1,020,797	1,200,334
Total governmental activities	<u>\$ 1,262,755</u>	<u>\$ 2,420,326</u>	<u>\$ 3,683,081</u>

Discretely presented component unit

As of June 30, 2023, the Cherokee County Tourism Development Authority's payables consisted of vendor payables.

2. Pension Plan and Other Postemployment Obligations**a. Local Governmental Employees' Retirement System**

Plan Description. The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2023, was 13.04% of compensation for law enforcement officers and 12.10% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$1,871,899 for the year ended June 30, 2023.

Refunds of Contributions. County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions***

At June 30, 2023, the County reported a liability of \$10,797,129 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2023, the County's proportion was 0.19139% (measured as of June 30, 2022), which was an increase of 0.01732% from its proportion as of June 30, 2022 (measured as of June 30, 2021).

For the year ended June 30, 2023, the County recognized pension expense of \$3,130,399. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 465,238	\$ 45,614
Changes of assumptions	1,077,311	-
Net difference between projected and actual earnings on pension plan investments	3,568,564	-
Changes in proportion and differences between County contributions and proportionate share of contributions	344,745	77,490
County contributions subsequent to the measurement date	1,871,899	-
Total	<u>\$ 7,327,757</u>	<u>\$ 123,104</u>

\$1,962,740 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ 1,671,568
2025	1,447,138
2026	513,918
2027	1,700,130
2028	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The assumptions used in the December 31, 2021 actuarial valuation was based on the experience study prepared as of December 31, 2019, and adopted by the Board of Trustees on January 28, 2021.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.1%
Global Equity	42.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	7.5%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022 and is part of the asset liability and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
County's proportionate share of the net pension liability (asset)	\$ 19,487,427	\$ 10,797,129	\$ 3,635,819

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. 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, 2021, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	1
Active plan members	<u>36</u>
Total	<u>37</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. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2021 valuation. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.31 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality Rates:

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

Deaths After Retirement (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

Deaths After Retirement (Survivors of Deceased Members): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths Prior to Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

4. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$8,954 in benefits during the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the County reported a total pension liability of \$706,894. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the County recognized pension expense of \$79,234.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,110	\$ 59,906
Changes of assumptions	147,970	135,658
Total	<u>\$ 183,080</u>	<u>\$ 195,564</u>

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ 2,042
2025	9,435
2026	13,259
2027	(8,143)
2028	(27,708)
Thereafter	(1,369)

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 4.31 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	1% Decrease (3.31%)	Discount Rate (4.31%)	1% Increase (5.31%)
Total Pension Liability	\$ 770,403	\$ 706,894	\$ 649,651

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

Total pension liability as of December 31, 2021	\$ 771,531
Changes for the year:	
Service cost	65,269
Interest on the total pension liability	17,259
Differences between expected and actual experience in the measurement	68
Changes of assumptions or other inputs	(138,279)
Benefit payments	(8,954)
Net changes	(64,637)
Total pension liability as of December 31, 2022	<u>\$ 706,894</u>

Changes of assumptions. Since the Prior Measurement Date, the Discount Rate has changed from 2.25% to 4.31% due to a change in the Municipal Bond Rate.

Changes in Benefit Terms. There are no changes in benefit terms since the Prior Measurement Date.

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2019.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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.

The County contributed \$98,217 for the year ended June 30, 2023. No amounts were forfeited.

d. Registers of Deeds' Supplemental Pension Fund

Plan Description. Cherokee County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$3,601 for the year ended June 30, 2023.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions***

At June 30, 2023, the County reported an asset of \$71,480 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2023, the Board's proportion was 0.3951% (measured as of June 30, 2022), which was an increase of 0.0231% from its proportion as of June 30, 2022 (measured as of June 30, 2021).

For the year ended June 30, 2023, the County recognized pension expense of \$8,584. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 403	\$ 948
Changes of assumptions	2,770	-
Net difference between projected and actual earnings on pension plan investments	21,745	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,393
County contributions subsequent to the measurement date	3,601	-
Total	<u>\$ 28,519</u>	<u>\$ 4,341</u>

\$3,601 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ 4,633
2025	3,236
2026	7,239
2027	5,469
2028	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	3.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The assumptions used for the December 31, 2021 actuarial valuation are based on the experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2023 is 1.1%.

The information in the preceding table is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2016, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 3.00%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.00 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00 percent) or 1-percentage-point higher (4.00 percent) than the current rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
County's proportionate share of the net pension (liability) asset	\$ (60,302)	\$ 52,317	\$ (89,041)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

e. Pension Liabilities, Expense, and Related Deferred Outflows of Resources and Deferred Inflows of Resources

The net pension liability for LGERS and RODSPF was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2022, with an actuarial valuation date of December 31, 2021. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>LGERS</u>	<u>RODSPF</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension Liability (Asset)	\$10,797,129	\$ (52,317)	n/a	\$10,744,812
Proportion of the Net Pension Liability (Asset)	0.19139%	0.39514%	n/a	n/a
Total Pension Liability	n/a	n/a	\$ 706,894	\$ 706,894
Pension Expense	\$ 3,130,399	\$ 8,649	\$ 70,280	\$ 3,209,328

At June 30, 2023, the County reported deferred outflows and inflows of resources related to pensions from the following:

<u>Deferred Outflows of Resources</u>	<u>LGERS</u>	<u>RODSPF</u>	<u>LEOSSA</u>	<u>Total</u>
Differences between expected and actual experience	\$ 465,238	\$ 403	\$ 35,110	\$ 500,751
Changes of assumptions	1,077,311	2,770	147,970	1,228,051
Net difference between projected and actual earnings on pension plan investments	3,568,564	21,745	-	3,590,309
Changes in the proportion and differences between County contributions and proportionate share of contributions	344,745	-	-	344,745
County contributions (LGERS, RODSPF)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	1,871,899	3,601	-	1,875,500

Deferred Inflows of Resources

Differences between expected and actual experience	\$ 45,614	\$ 948	\$ 59,906	\$ 106,468
Changes of assumptions	-	-	135,658	135,658
Changes in proportion and differences between County contributions and proportionate share of contributions	77,490	3,393	-	80,883

f. Other Postemployment Benefit**Healthcare Benefits**

Plan Description. Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The County Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. The HCB plan provides healthcare benefits to retirees. Full-time employees and elected officials that retire (under early, normal or disabled retirement conditions) from the North Carolina Local Government Employees' Retirement System (NCLGERS), and have thirty (30) years of service with the County immediately prior to retirement are eligible to continue coverage in the County's Group Health Plan. The County pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the County's group rates. Retirees who qualify for coverage receive the same benefits as active employees. The County will provide coverage to eligible retirees through the Group Health Plan until the retiree reaches Medicare eligibility age. Benefits end once the retiree reaches Medicare eligibility age. 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 June 30, 2022, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive members entitled to but not yet receiving benefits	-
Active plan members	<u>284</u>
Total	<u><u>293</u></u>

Total OPEB Liability

The County's total OPEB liability of \$3,041,707 was measured as of June 30, 2022 and was determined by a biennial actuarial valuation as of June 30, 2022.

Actuarial assumptions and other inputs. The total OPEB liability was determined based on an actuarial valuation as of June 30, 2022, using the following key actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	0.75 percent
Salary increases	3.25 to 8.41 percent, including wage inflation (General Employees) 3.25 to 7.90 percent, including wage inflation (Law Enforcement Officers)
Discount	3.54 percent
Healthcare cost trend rates:	
Pre-Medicare medical and prescription drug	7.00 percent for 2022 decreasing to an ultimate rate of 4.50% by 2032
Dental	3.50 percent

The County selected a Municipal Bond Index Rate equal to the Bond Buyer 20 Year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

Changes in the Total OPEB Liability

Total OPEB Liability as of June 30, 2021	\$ 3,458,847
Changes for the year	
Service cost	267,201
Interest	79,809
Differences between expected and actual experience	(276,248)
Changes in assumptions or other inputs	(425,214)
Net benefit	(62,688)
Net changes	<u>(417,140)</u>
Total OPEB Liability as of June 30, 2022	<u><u>\$ 3,041,707</u></u>

Since the Prior Measurement Date, the Discount Rate has changed from 2.16% to 3.54% due to a change in the Municipal Bond Index Rate.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2022 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	\$ 3,431,130	\$ 3,041,707	\$ 2,702,027

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	\$ 2,624,806	\$ 3,041,707	\$ 3,551,490

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year end June 30, 2023, the County recognized OPEB expense of \$341,329. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 357,453	\$ 832,018
Changes of assumptions	592,096	412,694
Benefit payments and administrative costs made subsequent to the measurement date	89,640	-
Total	<u>\$ 1,039,189</u>	<u>\$ 1,244,712</u>

\$89,640 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2024	\$ (32,209)
2025	(20,904)
2026	(7,626)
2027	(7,626)
2028	(7,626)
Thereafter	(219,172)

g. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits.

Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to his/her 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 payrolls, 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, 2023, the County made contributions to the State for death benefits of \$18,334.

The County also provides a \$15,000 death benefit to full-time employees. For the fiscal year ended June 30, 2023, the County made contributions for death benefits of \$5,564.

h. 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 \$7,610,112 reported as landfill closure and postclosure care liability at June 30, 2023 represents a cumulative amount reported to-date based on the use of 55.22 percent of the total estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and post closure care in 2023. 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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience (Pensions, OPEB)	\$ 858,204	\$ 938,486
Net difference between projected and actual investment earnings (Pensions, OPEB)	3,590,309	-
Change in proportion and difference between employer contributions and proportionate share of contributions (Pensions)	344,745	80,883
Change in assumptions (Pensions, OPEB)	1,820,147	548,352
Contributions to pension plan subsequent to measurement date (LGERS, RODSPF)	1,875,500	-
Benefit payments for the OPEB plan paid subsequent to the measurement date	89,640	-
Prepaid taxes not yet earned (General)	-	420,907
Leases (General)	-	445,725
Taxes receivable, net (General), less penalties	-	522,620
Taxes receivable, net (Special Revenue)	-	66,368
Total	<u>\$ 8,578,545</u>	<u>\$ 3,023,341</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 Joint Risk Management Agency.

Through these pools, the County obtains property coverage equal to the replacement cost of owned property subject to total insured values, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability coverage of \$2 million per occurrence; auto physical damage for owned autos at actual cash value; crime coverage of \$250,000 per occurrence; and workers' compensation coverage up to the statutory limits. There is also a \$4 million excess liability policy.

All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County. The pools are audited annually by certified public accountants, and 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 \$500,000, up to a \$2 million limit for liability coverage, and single occurrence losses in excess of \$750,000 for worker's compensation.

Through the captive, the Liability and Property Pool is reinsured for \$2 million of annual aggregate losses in excess of \$250,000 per occurrence for property, auto physical damage and crime coverage, with additional limits of \$498 million purchased through a group of commercial carriers through the multi-state public entity captive.

For medical and dental insurance, the County is reinsured through a commercial carrier for individual losses in excess of \$70,000 and aggregate annual losses in excess of \$2,868,211.

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 commercial crime coverage with a \$250,000 occurrence limit. Individuals holding positions requiring statutory bonds are covered elsewhere. The Chief Financial Officer is bonded for \$1,000,000. The Tax Collector is bonded for \$100,000. The Register of Deeds is bonded for \$10,000. The Sheriff is bonded for \$25,000.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

Discretely presented component unit

Cherokee County Tourism Development Authority

In accordance with G.S. 159-29, the Chief Financial Officer of Cherokee County Tourism Development Authority is performance bonded through a commercial surety bond for \$50,000. This bond is a separate individual bond to protect the Authority and that names the Authority as obligee or beneficiary. This bond is in addition to the bond on the Chief Financial Officer that names the County as obligee.

6. Claims, Judgments and Contingent Liabilities

At June 30, 2023, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters cannot be reasonably estimated. As a result, no amount has been accrued as a loss contingency at this time.

7. Long-Term Obligations

a. Leases

The County has entered into agreements to lease certain property and equipment under GASB 87. The related right-to-use assets are discussed in more detail in the Capital Asset section III.A.5. of this note.

Serviced by the County's General Fund

In July 2021, County entered into a 15-year lease agreement for 125' X 125' section of property for placement of a necessary communications tower to be used by emergency services and law enforcement. An initial lease liability was recorded in the amount of \$248,504 and requires five annual payments of \$18,000; followed by five annual payments of \$20,700; then five annual payments of \$23,804. The lease liability is measured at a discount rate of 3.25%. \$ 219,996

In July 2021, County entered into a 57-month lease agreement for a postage meter to be used by the Social Services department. An initial lease liability was recorded in the amount of \$9,970 and requires monthly payments of \$189. The lease liability is measured at a discount rate of 3.25%. 5,959

In July 2021, County entered into a 30-month lease agreement for a large-format specialty printer to be used by the Land Records - Geographic Information Systems (GIS) department. An initial lease liability was recorded in the amount of \$9,842 and requires monthly payments of \$342. The lease liability is measured at a discount rate of 3.25%. 2,032

\$ 227,987

The future minimum lease obligations and the net present value of these payments as of June 30, 2023, were as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 14,988	\$ 73,332	\$ 88,320
2025	13,377	6,890	20,267
2026	13,245	6,456	19,701
2027	14,643	6,057	20,700
2028	15,119	5,581	20,700
2029 - 2033	89,602	20,108	109,710
2034 - 2038	67,013	4,402	71,415
Total	\$ 227,987	\$ 122,826	\$ 350,813

b. Subscriptions

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96 for Subscription-Based Information Technology Arrangements (SBITAs). The Statement provides a definition of SBITAs and provides uniform guidance for accounting and financial reporting for such transactions. The guidance will decrease diversity in the accounting and financial reporting for these transactions, thereby increasing comparability in financial reporting among governments. Further, the reporting of a subscription asset (a right-to-use intangible capital asset) and a subscription liability will enhance the relevance and reliability of the financial statements. The right-to-use subscription assets are discussed in more detail in the Capital Asset section III.A.3. of this note.

Serviced by the County's General Fund

In July 2022, the County entered into a five-year subscription for the use of Huntress Labs Inc.'s security awareness training software. An initial subscription liability was recorded in the amount of \$37,606. The County is required to make annual fixed payments of \$8,250. The subscription has an interest rate of 4.85%. \$ 29,356

In July 2022, the County entered into a five-year subscription for the use of Logan Systems, Inc.'s permanent record software. An initial subscription liability was recorded in the amount of \$231,396. The County is required to make monthly fixed payments of \$4,333. The subscription has an interest rate of 4.85%. 188,722

In August 2022, the County entered into a five-year subscription for the use of Service Commander Software, Inc.'s jury management software. An initial subscription liability was recorded in the amount of \$11,713. The County is required to make annual fixed payments of \$2,600. The subscription has an interest rate of 5.50%. 9,114

In September 2022, the County entered into a five-year subscription for the use of GoTo's remote monitoring and management software. An initial subscription liability was recorded in the amount of \$23,420. The County is required to make annual fixed payments of \$5,220. The subscription has an interest rate of 5.73%. 18,200

In August 2022, the County entered into a five-year subscription for the use of Environmental Systems Research Institute, Inc.'s GIS mapping software. An initial subscription liability was recorded in the amount of \$57,666. The County is required to make annual fixed payments of \$12,800. The subscription has an interest rate of 5.50%. 44,866

In July 2022, the County entered into a 50-month subscription for the use of CureMD.com, Inc.'s health information software. An initial subscription liability was recorded in the amount of \$35,835. The County is required to make monthly fixed payments of \$793. The subscription has an interest rate of 4.85%. 27,882

In July 2022, the County entered into a five-year subscription for the use of Information Inc's daysheets hosting software. An initial subscription liability was recorded in the amount of \$20,914. The County is required to make annual fixed payments of \$4,588. The subscription has an interest rate of 4.85%. 16,326

In November 2022, the County entered into a five-year subscription for the use of Xcomm's IT communications software. An initial subscription liability was recorded in the amount of \$15,676. The County is required to make annual fixed payments of \$3,570. The subscription has an interest rate of 6.95%. 12,106

In May 2023, the County entered into a four-year subscription for the use of Zix's secure email software. An initial subscription liability was recorded in the amount of \$50,381. The County is required to make annual fixed payments of \$14,126. The subscription has an interest rate of 8.23%. 36,255

In November 2022, the County entered into a five-year subscription for the use of DroneSense's comprehensive drone management system. An initial subscription liability was recorded in the amount of \$14,930. The County is required to make annual fixed payments of \$3,400. The subscription has an interest rate of 6.95%. 11,530

In June 2023, the County entered into a five-year subscription for the use of LeadsOnline's investigation data management software. An initial subscription liability was recorded in the amount of \$16,200. The County is required to make annual fixed payments of \$3,773. The subscription has an interest rate of 8.25%. 12,427

In January 2023, the County entered into a five-year subscription for the use of SurTec's Casper intelligence gathering solutions software. An initial subscription liability was recorded in the amount of \$17,184. The County is required to make annual fixed payments of \$3,951. The subscription has an interest rate of 7.50%. 13,233

In January 2023, the County entered into a five-year subscription for the use of WasteWORKS' waste management software. An initial subscription liability was recorded in the amount of \$11,526. The County is required to make annual fixed payments of \$2,650. The subscription has an interest rate of 7.50%. 8,876

\$ 428,893

At June 30, 2023, the future minimum subscription obligations and the net present value of these payments were:

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2024	\$ 103,551	\$ 22,893	\$ 126,444
2025	109,462	16,983	126,445
2026	115,723	10,721	126,444
2027	100,157	4,231	104,388
Total	<u>\$ 428,893</u>	<u>\$ 54,828</u>	<u>\$ 483,721</u>

b. Installment Purchases

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

Governmental Activities

Serviced by the County's General Fund

On November 30, 2005, the County entered into a \$565,507 direct placement contract with North Carolina Department of Environmental and Natural Resources for water improvements. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 30 annual principal payments of \$28,275, plus interest at 2.205%, and matures on May 1, 2026. \$ 84,827

On September 19, 2008, the County entered into a \$1,800,000 direct placement contract with Regions Bank for school improvements. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 30 semi-annual payments of \$60,000, plus interest at 3.79%, and matures on September 19, 2023. 60,000

On December 28, 2010, the County entered into a \$1,216,000 direct placement contract with Branch Banking & Trust Company for the acquisition of the Department of Social Services Building. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 15 annual principal payments of \$81,066, plus interest at 5.50%, and matures on December 28, 2025. 243,208

On December 28, 2010, the County entered into a \$184,000 direct placement contract with Branch Banking & Trust Company for the acquisition of the Department of Social Services Building. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 15 annual principal payments of \$12,266, plus interest at 5.50%, and matures on December 28, 2025. 36,807

On December 21, 2010, the County entered into a \$1,282,886 direct placement contract with Bank of America, N.A. for the Andrews High School Renovation. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 30 semi-annual payments of \$42,763, plus interest at 5.67%, and matures on December 21, 2025. This is a Qualified School Construction Bond and interest paid is refundable. 213,813

\$ 638,655

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2024	\$ 267,133	\$ 29,337
2025	207,134	17,577
2026	164,388	6,949
Total	<u>\$ 638,655</u>	<u>\$ 53,863</u>

Debt Related to Capital Activities - Of the total Governmental Activities debt listed only \$364,842 relates to assets the County holds title. There is no unspent restricted cash related to this debt at June 30, 2023.

b. Litigation Settlement

In 2018 and 2019, twenty-six (26) separate lawsuits were filed against Cherokee County and former county employees regarding the use of Custody and Visitation Agreements by the Cherokee County Department of Social Services to place children outside of their parent's homes until they were 18 years old without Court approval. The suits alleged violations of the Constitutional rights of the parents and the children involved, as well as violations of state law regarding abused, neglected and dependent juveniles. On June 29, 2022, the Cherokee County Board of Commissioners approved a settlement agreement to resolve the pending actions against the County. Cherokee County and the NCACC Liability and Property Pool will pay a global settlement. Cherokee County will pay \$24.5 million over a period of 8 years, with the first payment due February 15, 2023, in the amount of \$4 million, and the seven remaining annual payments in the amount of \$2,928,571 due on July 15, 2024 through July 15, 2030.

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2024	\$ -	\$ -
2025	2,928,571	-
2026	2,928,571	-
2027	2,928,571	-
2028	2,928,571	-
2029 - 2032	8,785,716	-
Total	<u>\$ 20,500,000</u>	<u>\$ -</u>

c. 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, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Government Activities:					
Direct placement installment purchases	\$ 1,063,741	\$ -	\$ 425,086	\$ 638,655	\$ 267,133
Lease liabilities	244,502	-	16,515	227,987	14,988
IT subscription liabilities	-	544,448	115,555	428,893	103,551
Landfill closure costs	7,277,393	332,719	-	7,610,112	-
Litigation settlement	24,500,000	-	4,000,000	20,500,000	-
Compensated absences	933,298	618,776	614,709	937,365	614,000
Net pension liability (LRS)	2,669,531	8,127,598	-	10,797,129	-
Total pension obligation (LEOSA)	771,531	-	64,637	706,894	-
Total OPEB liability	3,458,847	-	417,140	3,041,707	-
Total government activities	<u>\$ 40,918,843</u>	<u>\$ 9,623,541</u>	<u>\$ 5,653,642</u>	<u>\$ 44,888,742</u>	<u>\$ 999,672</u>

Net pension liability, total pension liability, and net other postemployment liability for governmental activities are all typically liquidated in the General Fund. Compensated absences for governmental activities 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.

At June 30, 2023, the County had a legal debt margin of \$303,234,812.

C. Interfund Balances and Activity

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 June 30, 2023, consisted of the following:

From the General Fund to the Airport Improvement Fund for the County match contribution per grant agreement	\$ 5,780
From the General Fund to the Revaluation Fund to provide resources for the next property revaluation	75,000
From the General Fund to the Capital Project Fund for the County contribution portion for construction	<u>192,499</u>
Total	<u>\$ 273,279</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

Net investment in capital assets at June 30, 2023, was computed as follows:

Capital assets, net of accumulated depreciation	\$ 44,144,740
Less capital debt:	
Gross debt (excluding compensated absences)	21,795,535
Less:	
School debt related to assets to which the County does not hold title	<u>273,813</u>
Total capital debt	<u>21,521,722</u>
Net investment in capital assets	<u>\$ 22,623,018</u>

E. Fund Balance

Cherokee County has a revenue spending policy that provides for programs with multiple revenue sources. The Chief Financial 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 Chief Financial Officer has the authority to deviate from this policy if it is in the best interest of the County.

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

Total fund balance - General Fund	\$ 37,722,688
Less:	
Inventories	35,331
Prepaid items	55,824
Stabilization by State statute	6,980,363
Public safety	323,401
Human services	59,735
School capital outlay	4,307,579
Tax revaluation	102,005
School capital outlay	598,696
Education	2,983,593
Law enforcement	88,827
Human services - social services	50,557
General government - capital outlay	41,897
Public safety - capital outlay	111,650
Economic and physical development	4,781
Appropriated fund balance in 2024 budget	903,710
Working capital/ fund balance policy	7,806,036
Remaining fund balance	13,268,703

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. The County had no outstanding encumbrances at year-end.

IV. Joint Ventures

Nantahala Regional Library

The County participates in a joint venture to operate the Nantahala Regional Library with two other local governments. The County appoints three members to the board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$192,645 to the Library to supplement its activities for the fiscal year ended June 30, 2023. Complete financial statements for the Library can be obtained from the Library's office at 101 Blumenthal Street, Murphy, NC 28906.

Tri-County Community College

The County has a commitment to help fund Tri-County Community College with two other local governments. The County appoints eight members to the board of the College. The County has an ongoing financial responsibility for the joint venture because the College's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the College, so no equity interest has been reflected in the financial statements. The County has an ongoing financial responsibility for the college because of statutory responsibilities to provide funding for the College's facilities. The County contributed \$897,360 during the fiscal year June 30, 2023. Complete financial statements for the College may be obtained from the College's administrative offices at 21 Campus Circle, Murphy, NC 28906.

V. Jointly Governed Organizations

Southwestern North Carolina Planning and Economic Development Commission

The County, in conjunction with six other counties, seventeen municipalities, and the Eastern Band of Cherokee Indians, established the Southwestern North Carolina Planning and Economic Development Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. The County paid membership fees of \$19,169 to the Commission during the fiscal year ended June 30, 2023. The County was the subrecipient of a grant for \$398,138 from the Division of Aging of the North Carolina Department of Human Resources, which was passed through the Commission.

Vaya Health

The County participates in a jointly governed organization to operate Region 1 of Vaya Health with six other county governments. Vaya Health is a public managed care organization that oversees Medicaid, federal, state and local funding for services and supports related to mental health, substance use disorder and intellectual/developmental disabilities. Each county within the region appoints up to two members to the Regional Board, one of whom must be an elected county commissioner and one of whom may be either a county commissioner, county manager, social services director, public health director, or law enforcement representative. The County does not have an ongoing financial interest or ongoing financial responsibility. The County contributed \$75,000 to Vaya Health during the fiscal year ended June 30, 2023.

VI. 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 monies 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 monies.

VII. Change in Accounting Principle

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the relevance and consistency of reporting regarding governments' subscription-based information technology arrangements (SBITAs). This statement establishes a single model for accounting based on the principle that SBITAs are financings of the right-to-use, an underlying asset. Under this statement, a subscriber is required to recognize a subscription liability and an intangible right-to-use asset, and a subscriber is required to recognize a subscription receivable and a deferred inflow of resources.

VIII. New Accounting Pronouncements***Pronouncements effective for the 2023 Financial Statements:***

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

Pronouncements issued, but not yet effective, which will be adopted by the County in future years. As of the date of this report, the County has not determined the financial impact of implementing the following Statements:

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

IX. Significant Effects of Subsequent Events

The County has evaluated events and transactions that occurred between June 30, 2023 and January 24, 2025, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2023.

1. In August 2023, Western Carolina Regional Airport was awarded a \$1.5 million grant for a complete airport lighting rehabilitation project. The Board approved the Work Authorization and the 10% County match (\$150,000).
2. In January 2024, the Board gave the county manager the authority to negotiate the purchase of real property up to the amount of \$300,000 for a new Senior and VA Center facility.
3. In February 2024, a new fee schedule was entered into with the U.S. Marshall Service. The new fees are as follows: Fee for housing federal inmates increased from \$57 to \$70 per day; and the rate for transporting federal inmates increased from \$21 to \$25 per hour.
4. In March 2024, the County received a grant for ADA upgrades to the Rock Gym. The grant award is \$170,000.
5. In March 2024, the County received \$300,000 for a Dogwood Health Trust Grant for Community Paramedicine Program planning. \$100,000 will be used to assist with developing a plan for a community paramedicine program and \$200,000 will be used for EMS recruitment and training of personnel.
6. In May 2024, the Board approved a Dogwood Health Trust grant project ordinance for a Medical Assisted Treatment Access Grant. Grant award is \$400,000, with no required county match.
7. In May 2024, the Board issued a Demand to Surrender Property and Alternative Office Facility letter to Cherokee County Schools regarding the county owned property located at 911 Andrews Road, Murphy.
8. In May 2024, the Board discontinued the renovation project at the National Guard Armory site. Emergency Management, Emergency Medical Services, and 911 Addressing will be moved to the 911 Andrews Road location when it is vacated. The Board also undesignated \$105,653 that had been designated for Armory renovation. Those funds were added back to fund balance.
9. In May 2024, the Board voted to proceed with the construction of an addition to EMS Station 2 in Andrews.
10. In July 2024, the Board accepted and approved a Golden Leaf Grant Agreement for \$50,000 for due diligence analysis on the county's new Industrial Park Site in Marble.
11. In October 2024, the Board accepted a quote in the amount of \$128,433 for renovation of the new Emergency Operations Center at 911 Andrews Rd, Murphy.

Required Supplementary Financial Data

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

Local Governmental Employees' Retirement System

- Schedule of Proportionate Share of Net Pension Liability (Asset)
- Schedule of Contributions

Register of Deeds' Supplemental Pension Fund

- Schedule of Proportionate Share of Net Pension Liability (Asset)
- Schedule of Contributions

Law Enforcement Officers' Special Separation Allowance

- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

Other Postemployment Benefits

- Schedule of Changes in the Total OPEB Liability and Related Ratios

Cherokee County, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
for Local Governmental Employees' Retirement System
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.1914%	0.1741%	0.1809%	0.1776%	0.1833%	0.1814%	0.1960%	0.1753%	0.1750%	0.1878%
County's proportionate share of the net pension liability (asset) \$	\$ 3,128,598	\$ 2,669,531	\$ 6,463,970	\$ 4,849,298	\$ 4,349,215	\$ 2,771,748	\$ 4,160,625	\$ 786,781	\$(1,031,997)	\$ 2,263,711
County's covered-employee payroll	\$15,177,779	\$12,971,650	\$12,284,289	\$11,915,323	\$11,400,549	\$10,989,470	\$11,208,552	\$10,145,989	\$10,061,351	\$10,179,686
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	20.61%	20.58%	52.62%	40.70%	38.15%	25.22%	37.12%	7.75%	(10.26%)	22.24%
Plan fiduciary net position as a percentage of the total pension liability **	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Cherokee County, North Carolina
Schedule of Contributions to Local Government Employees' Retirement System
Local Governmental Employees' Retirement System
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,962,740	\$ 1,733,334	\$ 1,325,298	\$ 1,110,737	\$ 934,147	\$ 866,150	\$ 814,234	\$ 763,586	\$ 719,701	\$ 713,599
Contributions in relation to the contractually required contribution	1,962,740	1,733,334	1,325,298	1,110,737	934,147	866,150	814,234	763,586	719,701	713,599
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$17,149,387	\$15,177,779	\$12,971,650	\$12,284,289	\$11,915,323	\$11,400,549	\$10,989,470	\$11,208,552	\$10,145,989	\$10,061,351
Contributions as a percentage of covered- employee payroll	11.44%	11.42%	10.22%	9.04%	7.84%	7.60%	7.41%	6.81%	7.09%	7.09%

Cherokee County, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
for Register of Deeds' Supplemental Pension Fund
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.3951%	0.37204%	0.3687%	0.3406%	0.4001%	0.3629%	0.3823%	0.3797%	0.3564%	0.3611%
County's proportionate share of the net pension liability (asset) \$	\$ (52,317)	\$ (71,480)	\$ (84,487)	\$ (67,235)	\$ (66,275)	\$ (61,938)	\$ (71,484)	\$ (87,985)	\$ (80,793)	\$ (77,129)
Plan fiduciary net position as a percentage of the total pension liability **	139.04%	156.53%	173.62%	164.11%	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the Register of Deeds' Supplemental Pension Fund plan.

Cherokee County, North Carolina
Schedule of Contributions to Registers of Deeds' Supplemental Pension Fund
Register of Deeds' Supplemental Pension Fund
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 3,601	\$ 4,530	\$ 4,465	\$ 3,530	\$ 3,237	\$ 3,424	\$ 3,153	\$ 3,124	\$ 3,038	\$ 2,910
Contributions in relation to the contractually required contribution	3,601	4,530	4,465	3,530	3,237	3,424	3,153	3,124	3,038	2,910
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Cherokee County, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 771,531	\$ 777,973	\$ 394,606	\$ 371,464	\$ 372,964	\$ 367,600	\$ 338,197
Service cost	65,269	66,418	43,666	32,465	37,738	29,990	34,449
Interest on the total pension liability	17,259	14,981	12,864	13,494	11,685	14,066	11,960
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	68	(59,338)	64,591	(34,792)	(27,798)	(63,368)	-
Changes of assumptions or other inputs	(138,279)	(24,973)	262,246	13,450	(16,734)	31,067	(10,615)
Benefit payments	(8,954)	(3,530)	-	(1,475)	(6,391)	(6,391)	(6,391)
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 706,894</u>	<u>\$ 771,531</u>	<u>\$ 777,973</u>	<u>\$ 394,606</u>	<u>\$ 371,464</u>	<u>\$ 372,964</u>	<u>\$ 367,600</u>

The amounts presented for each fiscal year were determined as of the prior December 31.

Cherokee County, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 706,894	\$ 771,531	\$ 777,973	\$ 394,606	\$ 371,464	\$ 372,964	\$ 367,600
Covered payroll	1,839,506	1,624,075	1,687,189	1,459,468	1,529,513	1,399,494	1,521,291
Total pension liability as a percentage of covered payroll	38.43%	47.51%	46.11%	27.04%	24.29%	26.65%	24.16%

Notes to the schedule:

Cherokee County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Cherokee County, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability						
Service cost	\$ 267,201	\$ 265,125	\$ 209,009	\$ 191,659	\$ 146,446	\$ 160,159
Interest	79,809	69,540	113,638	101,799	77,865	68,178
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(276,248)	93,358	(803,597)	137,932	389,971	(28,429)
Changes of assumptions	(425,214)	219,455	447,790	140,766	17,857	(156,930)
Benefit payments	(62,688)	(139,473)	(106,642)	(195,026)	(209,860)	(33,326)
Net change in total OPEB liability	(417,140)	508,005	(139,802)	377,130	422,279	9,652
Total OPEB liability - beginning	3,458,847	2,950,842	3,090,644	2,713,514	2,291,235	2,281,583
Total OPEB liability - ending	<u>\$ 3,041,707</u>	<u>\$ 3,458,847</u>	<u>\$ 2,950,842</u>	<u>\$ 3,090,644</u>	<u>\$ 2,713,514</u>	<u>\$ 2,291,235</u>
Covered payroll	13,191,654	11,249,347	11,249,347	9,974,969	9,974,969	9,903,685
Total OPEB liability as a percentage of covered payroll	23.06%	30.75%	26.23%	30.98%	27.20%	23.14%

Notes to the Schedule:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2018	3.56%
2019	3.89%
2020	3.50%
2021	2.21%
2022	2.16%
2023	3.54%

Combining and Individual Fund Statements and Schedules

Major Governmental Funds

The County has the following major governmental funds:

General Fund – This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Tax Revaluation Fund – This 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.

Special Revenue Funds:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Opioid Settlement Fund – In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a \$26 billion-dollar nationwide settlement related to multiple opioid lawsuits. These funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The opioid settlement funds may support programs or services that serve persons with Opioid Use Disorder (OUD) or any co-occurring Substance Use Disorder (SUD) or mental health condition.

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.

Capital Projects Fund – This fund accounts for the financial resources to be used for acquisition and construction for major capital facilities and capital projects within the County. Currently this fund accounts for capital outlay for the construction of a main EMS station and a new EMS station for the western portion of the County, which is financed by grant monies from the State Capital Infrastructure Fund (SCIF).

School Improvement Fund – This fund is used to account for the construction of new school facilities (i.e. School of Innovation and Technology).

Cherokee County, North Carolina
General Fund - Consolidated
Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2023

	General Fund	Revaluation Fund	Eliminations	Total
REVENUES				
Ad valorem taxes	\$ 24,757,358	\$ -	\$ -	\$ 24,757,358
Local option sales tax	12,361,842	-	-	12,361,842
Other taxes and licenses	1,515,890	-	-	1,515,890
Unrestricted intergovernmental	2,178,618	-	-	2,178,618
Restricted intergovernmental	7,558,727	-	-	7,558,727
Permits and fees	2,305,041	-	-	2,305,041
Sales and services	4,884,477	-	-	4,884,477
Investment earnings	89,868	158	-	90,026
Miscellaneous	285,631	-	-	285,631
Total revenues	55,937,452	158	-	55,937,610
EXPENDITURES				
Current:				
General government	5,483,884	76,009	-	5,559,893
Public safety	13,939,413	-	-	13,939,413
Transportation	1,197,355	-	-	1,197,355
Environmental protection	2,736,947	-	-	2,736,947
Economic and physical development	2,121,820	-	-	2,121,820
Human services	14,633,373	-	-	14,633,373
Cultural and recreational	708,056	-	-	708,056
Intergovernmental:				
Education	8,422,455	-	-	8,422,455
Debt service:				
Principal	557,156	-	-	557,156
Interest	42,553	-	-	42,553
Total expenditures	49,843,012	76,009	-	49,919,021
Excess (deficiency) of revenues over expenditures	6,094,440	(75,851)	-	6,018,589
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	75,000	(75,000)	-
Transfers to other funds	(273,279)	-	75,000	(198,279)
IT subscription agreements	544,448	-	-	544,448
Total other financing sources (uses)	271,169	75,000	-	346,169
Net change in fund balances	6,365,609	(851)	\$ -	6,364,758
FUND BALANCES				
Fund balances, beginning	31,257,158	100,772		31,357,930
Fund balances, ending	\$ 37,622,767	\$ 99,921		\$ 37,722,688

Exhibit 4

A legally budgeted Revaluation Fund is consolidated into the General Fund for reporting purposes.

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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Current year taxes		\$ 24,542,181	
Penalties and interest		215,177	
Total	<u>\$ 24,003,968</u>	<u>24,757,358</u>	<u>\$ 753,390</u>
Local option sales taxes:			
Article 39 one percent		5,193,118	
Article 40 one-half of one percent		2,865,661	
Article 42 one-half of one percent		2,637,808	
Article 44 one-half of one percent		302,766	
Article 46 one-quarter of one percent		1,351,262	
Medicaid hold harmless		11,227	
Total	<u>11,343,306</u>	<u>12,361,842</u>	<u>1,018,536</u>
Other taxes and licenses:			
Register of deeds - excise tax		636,222	
Car rental tax		6,906	
Local occupancy tax		800,926	
Solid waste disposal tax		30,717	
Franchise tax		39,818	
Civil licenses		1,301	
Total	<u>1,499,250</u>	<u>1,515,890</u>	<u>16,640</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes		2,062,205	
Beer and wine tax		116,413	
Total	<u>1,810,000</u>	<u>2,178,618</u>	<u>368,618</u>
Restricted intergovernmental:			
ABC bottle fees		16,250	
Court facility fees		30,848	
Controlled substance tax		58,031	
Health department grants		19,000	
Health department state revenues		778,804	
Juvenile Crime Prevention		106,088	
Other grants		1,281,067	
Transportation ROAP		115,604	
Senior Center		270,920	
Social Services		4,105,824	
Tire disposal tax grant		59,920	
Transportation		574,632	
US Forest Service Timber		141,739	
Total	<u>7,300,592</u>	<u>7,558,727</u>	<u>258,135</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Permits and fees:			
Building permits		320,206	
Fire arm permits		42,605	
Fire inspections		9,815	
Landfill user fees		1,366,092	
Precious metal permits		778	
Register of deeds		233,590	
Water and septic permits		331,955	
Total	<u>2,326,470</u>	<u>2,305,041</u>	<u>(21,429)</u>
Sales and services:			
Ambulance fees		2,145,413	
Aviation gas sales		154,806	
Health department fees		749,927	
Landfill tipping fees		353,156	
Jet fuel sales		176,316	
Other sales		93,061	
Personnel fees		124,077	
Rents, concessions, and fees		62,304	
Sheriff & jail fees		782,056	
Transportation fees		243,357	
Vehicle tax collection fees		4	
Total	<u>4,611,623</u>	<u>4,884,477</u>	<u>272,854</u>
Investment earnings	<u>15,900</u>	<u>89,868</u>	<u>73,968</u>
Miscellaneous:			
ABC Store distributions		145,754	
Insurance proceeds		108,023	
Other		31,854	
Total	<u>193,403</u>	<u>285,631</u>	<u>92,228</u>
Total revenues	<u>53,104,512</u>	<u>55,937,452</u>	<u>2,832,940</u>
EXPENDITURES			
General government:			
Governing body:			
Salaries and employee benefits		96,344	
Operating expenditures		137,181	
Total	<u>282,414</u>	<u>233,525</u>	<u>48,889</u>
Administration:			
Salaries and employee benefits		257,748	
Operating expenditures		2,720	
Total	<u>265,996</u>	<u>260,468</u>	<u>5,528</u>
Board of Elections:			
Salaries and employee benefits		238,937	
Operating expenditures		56,600	
Total	<u>344,820</u>	<u>295,537</u>	<u>49,283</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Information technology:			
Salaries and employee benefits		406,895	
Operating expenditures		184,406	
Capital outlay		334,571	
Total	<u>995,855</u>	<u>925,872</u>	<u>69,983</u>
Finance:			
Salaries and employee benefits		512,313	
Operating expenditures		106,831	
Total	<u>731,268</u>	<u>619,144</u>	<u>112,124</u>
Tax assessor:			
Salaries and employee benefits		434,260	
Operating expenditures		154,433	
Total	<u>685,762</u>	<u>588,693</u>	<u>97,069</u>
Tax collector:			
Salaries and employee benefits		174,517	
Operating expenditures		166,388	
Total	<u>351,053</u>	<u>340,905</u>	<u>10,148</u>
Land records (GIS):			
Salaries and employee benefits		175,486	
Operating expenditures		10,699	
Capital outlay		57,666	
Total	<u>264,603</u>	<u>243,851</u>	<u>20,752</u>
Register of deeds:			
Salaries and employee benefits		208,247	
Operating expenditures		366,997	
Capital outlay		231,396	
Total	<u>929,547</u>	<u>806,640</u>	<u>122,907</u>
Public buildings:			
Salaries and employee benefits		472,985	
Operating expenditures		153,428	
Capital outlay		115,769	
Total	<u>971,074</u>	<u>742,182</u>	<u>228,892</u>
Court facilities:			
Operating expenditures		44,797	
Capital outlay		11,714	
Total	<u>56,565</u>	<u>56,511</u>	<u>54</u>
Central services:			
Salaries and employee benefits		13,375	
Operating expenditures		357,181	
Total	<u>379,700</u>	<u>370,556</u>	<u>9,144</u>
Total general government	<u>6,258,657</u>	<u>5,483,884</u>	<u>774,773</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Sheriff:			
Salaries and employee benefits		3,263,001	
Operating expenditures		566,686	
Capital outlay		391,730	
Total	<u>4,473,845</u>	<u>4,221,417</u>	<u>252,428</u>
Jail:			
Salaries and employee benefits		1,663,383	
Operating expenditures		1,358,869	
Capital outlay		297,546	
Total	<u>3,704,692</u>	<u>3,319,798</u>	<u>384,894</u>
Ambulance service:			
Salaries and employee benefits		3,494,274	
Operating expenditures		522,589	
Capital outlay		214,095	
Total	<u>5,717,754</u>	<u>4,230,958</u>	<u>1,486,796</u>
911 addressing:			
Salaries and employee benefits		62,520	
Operating expenditures		14,326	
Total	<u>111,966</u>	<u>76,846</u>	<u>35,120</u>
Emergency communications:			
Salaries and employee benefits		739,904	
Operating expenditures		53,808	
Capital outlay		236,393	
Total	<u>1,486,971</u>	<u>1,030,105</u>	<u>456,866</u>
Emergency management:			
Salaries and employee benefits		230,821	
Operating expenditures		40,320	
Total	<u>406,900</u>	<u>271,141</u>	<u>135,759</u>
Code enforcement:			
Salaries and employee benefits		461,813	
Operating expenditures		34,122	
Total	<u>515,143</u>	<u>495,935</u>	<u>19,208</u>
Medical examiner:			
Operating expenditures		40,900	
Total	<u>80,000</u>	<u>40,900</u>	<u>39,100</u>
Animal control:			
Operating expenditures		127,145	
Total	<u>128,800</u>	<u>127,145</u>	<u>1,655</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Special appropriations:			
NC Forest Service - fire protection		55,664	
Fire department rescue		69,504	
Total	<u>125,664</u>	<u>125,168</u>	<u>496</u>
Total public safety	<u>16,751,735</u>	<u>13,939,413</u>	<u>2,812,322</u>
Transportation:			
Airport:			
Salaries and employee benefits		38,086	
Operating expenditures		440,127	
Capital outlay		69,986	
Total	<u>560,706</u>	<u>548,199</u>	<u>12,507</u>
Public transportation:			
Salaries and employee benefits		515,728	
Operating expenditures		133,428	
Total	<u>991,740</u>	<u>649,156</u>	<u>342,584</u>
Total transportation	<u>1,552,446</u>	<u>1,197,355</u>	<u>355,091</u>
Environmental protection:			
Solid waste:			
Salaries and employee benefits		1,191,447	
Operating expenditures		754,271	
Capital outlay		791,229	
Total	<u>3,335,042</u>	<u>2,736,947</u>	<u>598,095</u>
Total environmental protection	<u>3,335,042</u>	<u>2,736,947</u>	<u>598,095</u>
Economic and physical development:			
Economic development:			
Operating expenditures		181,933	
Capital outlay		655,669	
Grants		6,667	
Total	<u>904,504</u>	<u>844,269</u>	<u>60,235</u>
Cooperative extension:			
Salaries and employee benefits		177,253	
Operating expenditures		30,708	
Capital outlay		42,467	
Grants		515	
Total	<u>262,303</u>	<u>250,943</u>	<u>11,360</u>
Soil and water conservation:			
Salaries and employee benefits		124,805	
Total	<u>124,852</u>	<u>124,805</u>	<u>47</u>
Special appropriations:			
Cherokee County Board of Tourism		777,207	
Soil and Water Conservation District		124,596	
Total	<u>924,596</u>	<u>901,803</u>	<u>22,793</u>
Total economic and physical development	<u>2,216,255</u>	<u>2,121,820</u>	<u>94,435</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Human services:			
Health department:			
Administration:			
Salaries and employee benefits		549,536	
Operating expenditures		238,450	
Capital outlay		35,835	
Total		<u>823,821</u>	
Women, infants, and children:			
WIC - Breastfeeding		41,278	
WIC - Administration		20,122	
WIC - Client services		121,298	
WIC - Nutritional education		38,493	
Total		<u>221,191</u>	
Environmental health:			
Salaries and employee benefits		445,028	
Operating expenditures		21,110	
Capital outlay		107,708	
Total		<u>573,846</u>	
Food and lodging:			
Salaries and employee benefits		190,436	
Operating expenditures		4,806	
Total		<u>195,242</u>	
Health programs:			
Health promotion:			
Salaries and employee benefits		24,325	
Operating expenditures		8,708	
Total		<u>33,033</u>	
Preparedness and planning:			
Salaries and employee benefits		26,631	
Total		<u>26,631</u>	
Immunization:			
Salaries and employee benefits		135,474	
Operating expenditures		119,638	
Total		<u>255,112</u>	
Communicable disease:			
Salaries and employee benefits		156,497	
Operating expenditures		3,088	
Total		<u>159,585</u>	
Andrews clinic:			
Salaries and employee benefits		41,416	
Operating expenditures		12,566	
Total		<u>53,982</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Infant mortality reduction:			
Salaries and employee benefits		24,889	
Operating expenditures		12,508	
Total		<u>37,397</u>	
Maternal health:			
Salaries and employee benefits		1,888	
Operating expenditures		614	
Total		<u>2,502</u>	
Breast and cervical cancer:			
Salaries and employee benefits		19,416	
Operating expenditures		4,638	
Total		<u>24,054</u>	
Breast feeding peer counseling:			
Salaries and employee benefits		16,121	
Operating expenditures		527	
Total		<u>16,648</u>	
Family planning:			
Salaries and employee benefits		158,469	
Operating expenditures		37,672	
Total		<u>196,141</u>	
Child health:			
Salaries and employee benefits		19,941	
Operating expenditures		10,980	
Total		<u>30,921</u>	
Care coordination for children:			
Salaries and employee benefits		15,518	
Total		<u>15,518</u>	
School nurse initiative:			
Operating expenditures		100,000	
Total		<u>100,000</u>	
Medication management:			
Salaries and employee benefits		32,885	
Operating expenditures		4,367	
Total		<u>37,252</u>	
Total health programs		<u>988,776</u>	
Total health department	<u>3,277,783</u>	<u>2,802,876</u>	<u>474,907</u>
Social services:			
Administration:			
Salaries and employee benefits		4,793,951	
Operating expenses		4,508,660	
Capital outlay		250,396	
Total		<u>9,553,007</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Programs:			
Operating expenses		1,316,641	
Total		<u>1,316,641</u>	
Total Social services	<u>12,447,585</u>	<u>10,869,648</u>	<u>1,577,937</u>
Senior citizens program:			
Salaries and employee benefits		365,497	
Operating expenses		<u>189,568</u>	
Total	<u>588,686</u>	<u>555,065</u>	<u>33,621</u>
Mental health:			
Operating expenses		75,000	
Total	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Veterans service officer:			
Salaries and employee benefits		113,123	
Operating expenses		<u>5,498</u>	
Total	<u>128,293</u>	<u>118,621</u>	<u>9,672</u>
Special appropriations:			
Industrial Opportunities, Inc.		60,000	
State of Franklin Health Council		14,000	
H.A.V.E.N. Children's Advocacy Center		10,000	
Juvenile Crime Prevention Programs		<u>128,163</u>	
Total	<u>212,202</u>	<u>212,163</u>	<u>39</u>
Total human services	<u>16,729,549</u>	<u>14,633,373</u>	<u>2,096,176</u>
Cultural and recreational:			
Library:			
Operating expenditures		192,645	
Total	<u>192,645</u>	<u>192,645</u>	<u>-</u>
Parks and recreation:			
Salaries and employee benefits		170,178	
Operating expenditures		229,132	
Capital outlay		<u>62,372</u>	
Total	<u>572,597</u>	<u>461,682</u>	<u>110,915</u>
Museum:			
Salaries and employee benefits		53,729	
Total	<u>54,389</u>	<u>53,729</u>	<u>660</u>
Total cultural and recreation	<u>819,631</u>	<u>708,056</u>	<u>111,575</u>
Education:			
Public schools:			
Public schools - current		6,740,259	
Public schools - capital outlay		664,358	
Public schools - SRS USFS Timber		<u>120,478</u>	
Total	<u>8,500,395</u>	<u>7,525,095</u>	<u>975,300</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, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Community college:			
Community college - current		897,360	
Total	897,360	897,360	-
Total education	9,397,755	8,422,455	975,300
Debt service:			
Principal retirements		557,156	
Interest and fees		42,553	
Total debt service	667,241	599,709	67,532
Contingency	-	-	-
Total expenditures	57,728,311	49,843,012	7,885,299
Revenues over (under) expenditures	(4,623,799)	6,094,440	10,718,239
OTHER FINANCING SOURCES (USES)			
Transfers from other funds:			
Transfers to other funds:			
Revaluation Fund	(75,000)	(75,000)	-
Airport Improvement Fund	(5,780)	(5,780)	-
Capital Projects Fund	(1,284,300)	(192,499)	1,091,801
Total net transfers	(1,365,080)	(273,279)	1,091,801
IT subscription agreements	544,448	544,448	-
Increase in fund balance	(2,510,436)	-	2,510,436
Total other financing sources (uses)	(3,331,068)	271,169	3,602,237
Revenues and other sources over (under) expenditures	(7,954,867)	6,365,609	14,320,476
Appropriated fund balance	7,954,867	-	(7,954,867)
Net change in fund balance	\$ -	6,365,609	\$ 6,365,609
Fund balance, beginning		31,257,158	
Fund balance, ending		\$ 37,622,767	

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, 2023

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment earnings	\$ 50	\$ 158	\$ 108
Total revenues	<u>50</u>	<u>158</u>	<u>108</u>
EXPENDITURES			
Current:			
General government:			
Salaries and employee benefits		73,980	
Operating expenditures		2,029	
Total expenditures	<u>93,442</u>	<u>76,009</u>	<u>17,433</u>
Revenues over (under) expenditures	(93,392)	(75,851)	17,541
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
General Fund	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Total other financing sources (uses)	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Revenues and other sources over (under) expenditures	(18,392)	(851)	17,541
Appropriated fund balance	<u>18,392</u>	<u>-</u>	<u>(18,392)</u>
Net change in fund balance	<u>\$ -</u>	<u>(851)</u>	<u>\$ (851)</u>
Fund balance, beginning		<u>100,772</u>	
Fund balances, ending		<u>\$ 99,921</u>	

Cherokee County, North Carolina
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2023

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
REVENUES					
Restricted intergovernmental:					
State Capital Infrastructure Fund (SCIF) grant	\$ 1,200,000	\$ 351,508	\$ 929,492	\$ 1,281,000	\$ 81,000
Investment earnings	-	99	1,242	1,341	1,341
Total revenues	<u>1,200,000</u>	<u>351,607</u>	<u>930,734</u>	<u>1,282,341</u>	<u>82,341</u>
Expenditures:					
Public safety:					
Construction	2,452,115	355,988	1,118,166	1,474,154	977,961
Total expenditures	<u>2,452,115</u>	<u>355,988</u>	<u>1,118,166</u>	<u>1,474,154</u>	<u>977,961</u>
Revenues over (under) expenditures	(1,252,115)	(4,381)	(187,432)	(191,813)	(895,620)
OTHER FINANCING SOURCES (USES)					
Transfer from other funds:					
General Fund	1,335,097	4,414	192,499	196,913	(1,138,184)
Transfer to other funds:					
General Fund	<u>(82,982)</u>	<u>(82,982)</u>	-	<u>(82,982)</u>	-
Total other financing sources (uses)	<u>1,252,115</u>	<u>(78,568)</u>	<u>192,499</u>	<u>113,931</u>	<u>(1,138,184)</u>
Revenues and other sources over (under) expenditures	-	(82,949)	5,067	(77,882)	(77,882)
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ (82,949)</u>	5,067	<u>\$ (77,882)</u>	<u>\$ (77,882)</u>
Fund balance, beginning			<u>33</u>		
Fund balance, ending			<u>\$ 5,100</u>		

Cherokee County, North Carolina
School Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2023

	Actual				Variance Positive (Negative)
	Project Authorization	Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental:					
Needs-Based Public School Capital Fund	\$ 15,000,000	\$ 7,450,196	\$ 6,491,647	\$ 13,941,843	\$ (1,058,157)
Investment earnings	-	2,287	255	2,542	2,542
Total revenues	<u>15,000,000</u>	<u>7,452,483</u>	<u>6,491,902</u>	<u>13,944,385</u>	<u>(1,055,615)</u>
Expenditures:					
Education:					
School of Innovation & Technology Project:					
Construction	17,017,002	9,102,450	7,892,120	16,994,570	22,432
Planning and design	1,482,998	1,368,000	103,410	1,471,410	11,588
Land acquisition	2,322,300	822,300	123,144	945,444	1,376,856
Total expenditures	<u>20,822,300</u>	<u>11,292,750</u>	<u>8,118,674</u>	<u>19,411,424</u>	<u>1,410,876</u>
Revenues over (under) expenditures	(5,822,300)	(3,840,267)	(1,626,772)	(5,467,039)	(2,466,491)
OTHER FINANCING SOURCES (USES)					
Transfer from other funds:					
General Fund	5,822,300	5,822,300	-	5,822,300	-
Total other financing sources (uses)	<u>5,822,300</u>	<u>5,822,300</u>	<u>-</u>	<u>5,822,300</u>	<u>-</u>
Revenues and other sources over (under) expenditures	-	1,982,033	(1,626,772)	355,261	355,261
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,982,033</u>	<u>(1,626,772)</u>	<u>\$ 355,261</u>	<u>\$ 355,261</u>
Fund balance, beginning			<u>1,982,033</u>		
Fund balance, ending			<u>\$ 355,261</u>		

Cherokee County, North Carolina
Opioid Settlement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2023

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental:					
Opioid Settlement Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	3	751	754	754
Total revenues	<u>-</u>	<u>3</u>	<u>751</u>	<u>754</u>	<u>754</u>
EXPENDITURES					
Human services:					
Other operating expenses	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>3</u>	<u>751</u>	<u>754</u>	<u>(754)</u>
OTHER FINANCING SOURCES (USES)					
Transfer from other funds:					
General Fund	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriated fund balance	-	-	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 3</u>	751	<u>\$ 754</u>	<u>\$ (754)</u>
Fund balance, beginning			<u>3</u>		
Fund balance, ending			<u>\$ 754</u>		

Nonmajor Governmental Funds

The County has the following nonmajor 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 – This fund is established to account for the ad valorem tax levies of the Bear Paw Service District.

Representative Payee Fund – This fund accounts for monies held by the Social Services Department for the benefit of certain individuals in the County.

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

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

Sheriff Grant Fund – This fund accounts for grant funds received from the N.C. Department of Public Safety and the related expenditures.

Capital Project Fund:

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

Airport Improvement Projects Fund - This fund is used to account for the construction of major capital outlay projects for the Western Carolina Regional Airport.

Cherokee County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 419,639	\$ 93,505	\$ 513,144
Restricted cash and cash equivalents	8,546	-	8,546
Receivables, net			
Taxes	66,368	-	66,368
Accounts	26,847	16,496	43,343
Total assets	<u>521,400</u>	<u>110,001</u>	<u>631,401</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	49,745	-	49,745
Total liabilities	<u>49,745</u>	<u>-</u>	<u>49,745</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	66,368	-	66,368
Total deferred inflows of resources	<u>66,368</u>	<u>-</u>	<u>66,368</u>
Fund balances:			
Restricted:			
Stabilization by State statute	26,847	16,496	43,343
Public safety	340,383	-	340,383
Transportation	-	93,505	93,505
Human services	38,057	-	38,057
Unassigned	-	-	-
Total fund balances	<u>405,287</u>	<u>110,001</u>	<u>515,288</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 521,400</u>	<u>\$ 110,001</u>	<u>\$ 631,401</u>

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2023

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2,437,379	\$ -	\$ 2,437,379
Restricted intergovernmental	657,699	52,014	709,713
Permits and fees	6,498	-	6,498
Sales and services	105,294	-	105,294
Investment earnings	368	-	368
Total revenues	<u>3,207,238</u>	<u>52,014</u>	<u>3,259,252</u>
EXPENDITURES			
Current:			
General government	451,264	-	451,264
Public safety	2,325,061	-	2,325,061
Transportation	-	57,794	57,794
Human services	278,041	-	278,041
Total expenditures	<u>3,054,366</u>	<u>57,794</u>	<u>3,112,160</u>
Excess (deficiency) of revenues over expenditures	<u>152,872</u>	<u>(5,780)</u>	<u>147,092</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	5,780	5,780
Transfers to other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>5,780</u>	<u>5,780</u>
Net change in fund balances	152,872	-	152,872
Fund balances, beginning	<u>252,415</u>	<u>110,001</u>	<u>362,416</u>
Fund balances, ending	<u>\$ 405,287</u>	<u>\$ 110,001</u>	<u>\$ 515,288</u>

Cherokee County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue Funds
June 30, 2023

	Emergency Telephone System Fund	Fire District Fund	Bear Paw Service District Fund	Emergency Representative Payee Fund	Fines and Forfeitures Fund	Deed of Trust Fund	Sheriff Grant Fund	Total Nonmajor Special Revenue Funds
ASSETS								
Cash and cash equivalents	\$ 340,383	\$ 25,289	\$ 731	\$ 38,057	\$ 14,651	\$ 528	\$ -	\$ 419,639
Restricted cash and cash equivalents	-	-	-	-	-	-	8,546	8,546
Receivables, net								
Taxes	-	63,600	2,768	-	-	-	-	66,368
Accounts	26,847	-	-	-	-	-	-	26,847
Total assets	367,230	88,889	3,499	38,057	14,651	528	8,546	521,400
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	-	25,289	731	-	14,651	528	8,546	49,745
Total liabilities	-	25,289	731	-	14,651	528	8,546	49,745
DEFERRED INFLOWS OF RESOURCES								
Property taxes receivable	-	63,600	2,768	-	-	-	-	66,368
Total deferred inflows of resources	-	63,600	2,768	-	-	-	-	66,368
Fund balances:								
Nonspendable:								
Restricted:								
Stabilization by State statute	26,847	-	-	-	-	-	-	26,847
Public safety	340,383	-	-	-	-	-	-	340,383
Human services	-	-	-	38,057	-	-	-	38,057
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	367,230	-	-	38,057	-	-	-	405,287
Total liabilities, deferred inflows of resources, and fund balances	\$ 367,230	\$ 88,889	\$ 3,499	\$ 38,057	\$ 14,651	\$ 528	\$ 8,546	\$ 521,400

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds
For the Fiscal Year Ended June 30, 2023

	Emergency Telephone System Fund	Fire District Fund	Bear Paw Service District Fund	Representative Payee Fund	Fines and Forfeitures Fund	Deed of Trust Fund	Sheriff Grant Fund	Total Nonmajor Special Revenue Funds
REVENUES								
Ad valorem taxes	\$ -	\$ 2,097,907	\$ 339,472	\$ -	\$ -	\$ -	\$ -	\$ 2,437,379
Restricted intergovernmental	322,156	-	-	275,529	-	-	60,014	657,699
Permits and fees	-	-	-	-	-	6,498	-	6,498
Sales and services	-	-	-	-	105,294	-	-	105,294
Investment earnings	326	-	-	-	-	-	42	368
Total revenues	322,482	2,097,907	339,472	275,529	105,294	6,498	60,056	3,207,238
EXPENDITURES								
Current:								
General government	-	-	339,472	-	105,294	6,498	-	451,264
Public safety	167,098	2,097,907	-	-	-	-	60,056	2,325,061
Human services	-	-	-	278,041	-	-	-	278,041
Total expenditures	167,098	2,097,907	339,472	278,041	105,294	6,498	60,056	3,054,366
Excess (deficiency) of revenues over expenditures	155,384	-	-	(2,512)	-	-	-	152,872
OTHER FINANCING SOURCES (USES)								
Transfers from other funds	-	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	155,384	-	-	(2,512)	-	-	-	152,872
Fund balances, beginning	211,846	-	-	40,569	-	-	-	252,415
Fund balances, ending	\$ 367,230	\$ -	\$ -	\$ 38,057	\$ -	\$ -	\$ -	\$ 405,287

Cherokee County, North Carolina
Emergency Telephone System Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental	\$ 322,156	\$ 322,156	\$ -
Investment earnings	5	326	321
Total revenues	<u>322,161</u>	<u>322,482</u>	<u>321</u>
EXPENDITURES			
Public safety			
Operating expenditures		122,098	
Capital outlay		45,000	
Total expenditures	<u>322,161</u>	<u>167,098</u>	<u>155,063</u>
Revenues over (under) expenditures	-	155,384	155,384
OTHER FINANCING SOURCES (USES)			
Transfer from other funds		-	
Transfer to other funds		-	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	-	155,384	155,384
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>155,384</u>	<u>\$ 155,384</u>
Fund balance, beginning		<u>211,846</u>	
Fund balance, ending		<u>\$ 367,230</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, 2023**

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes	\$ 2,102,700	\$ 2,097,907	\$ (4,793)
Total revenues	<u>2,102,700</u>	<u>2,097,907</u>	<u>(4,793)</u>
EXPENDITURES			
Public safety:			
Collection Fees		8,040	
Bellview Fire District		109,206	
Brasstown Fire District		16,416	
Culberson Fire District		105,259	
Grape Creek Fire District		45,354	
Hanging Dog Fire District		83,002	
Hiwassee Fire District		283,003	
Wolf Creek Fire District		77,862	
Martins Creek Fire District		94,775	
Peachtree Fire District		241,255	
Murphy Rural Fire District		401,070	
Ranger Fire District		210,902	
Topton Fire District		2,834	
Unaka Fire District		38,950	
Valleytown Fire District		358,771	
Violet Fire District		21,208	
Total expenditures	<u>2,102,700</u>	<u>2,097,907</u>	<u>4,793</u>
Revenues over (under) expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfer from other funds		-	
Transfer to other funds		-	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	-	-	-
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		-	
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, 2023

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes	\$ 352,000	\$ 339,472	\$ (12,528)
Total revenues	352,000	339,472	(12,528)
EXPENDITURES			
General government:			
Collection fees		195	
Bear Paw Service District		339,277	
Total expenditures	352,000	339,472	12,528
Revenues over (under) expenditures	-	-	-
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

Cherokee County, North Carolina
Representative Payee Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental	\$ 280,000	\$ 275,529	\$ (4,471)
Total revenues	<u>280,000</u>	<u>275,529</u>	<u>(4,471)</u>
EXPENDITURES			
Current:			
Human services			
Payments made for the benefit of beneficiaries	280,000	278,041	1,959
Total expenditures	<u>280,000</u>	<u>278,041</u>	<u>1,959</u>
Excess (deficiency) of revenues over expenditures	-	(2,512)	(2,512)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	-	(2,512)	(2,512)
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(2,512)</u>	<u>\$ (2,512)</u>
Fund balance, beginning		<u>40,569</u>	
Fund balance, ending		<u>\$ 38,057</u>	

Cherokee County, North Carolina
Fines and Forfeitures Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Sales and services			
Penalties, fines and forfeitures	\$ 110,000	\$ 105,294	\$ (4,706)
Total revenues	<u>110,000</u>	<u>105,294</u>	<u>(4,706)</u>
EXPENDITURES			
Current:			
General government			
Payments of penalties, fines and forfeitures to the Cherokee County Board of Education	110,000	105,294	4,706
Total expenditures	<u>110,000</u>	<u>105,294</u>	<u>4,706</u>
Excess (deficiency) of revenues over expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	-	-	-
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

Cherokee County, North Carolina
Deed of Trust Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Permits and fees			
Register of deeds	\$ 8,000	\$ 6,498	\$ (1,502)
Total revenues	<u>8,000</u>	<u>6,498</u>	<u>(1,502)</u>
EXPENDITURES			
Current:			
General government			
Payments of fees collected to the State of North Carolina	8,000	6,498	1,502
Total expenditures	<u>8,000</u>	<u>6,498</u>	<u>1,502</u>
Excess (deficiency) of revenues over expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	-	-	-
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

Cherokee County, North Carolina
Sheriff Grant Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2023

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental:					
N.C. Department of Public Safety	\$ 84,270	\$ 24,256	\$ 60,014	\$ 84,270	\$ -
Investment earnings	51	9	42	51	-
Total revenues	<u>84,321</u>	<u>24,265</u>	<u>60,056</u>	<u>84,321</u>	<u>-</u>
EXPENDITURES					
Public safety:					
Other operating expenses	20,530	11,984	8,546	20,530	-
Capital outlay	63,791	12,281	51,510	63,791	-
Total expenditures	<u>84,321</u>	<u>24,265</u>	<u>60,056</u>	<u>84,321</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfer from other funds:					
General Fund	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriated fund balance	-	-	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

Cherokee County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds - Capital Project Funds
June 30, 2023

	Airport Improvement Project Fund	Total Nonmajor Capital Projects Funds
ASSETS		
Cash and cash equivalents	\$ 93,505	\$ 93,505
Receivables, net		
Accounts	16,496	16,496
Total assets	110,001	110,001
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	-	-
Total liabilities	-	-
DEFERRED INFLOWS OF RESOURCES		
Fund balances:		
Restricted:		
Stabilization by State statute	16,496	16,496
Transportation	93,505	93,505
Unassigned	-	-
Total fund balances	110,001	110,001
Total liabilities, deferred inflows of resources, and fund balances	\$ 110,001	\$ 110,001

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Capital Project Funds
June 30, 2023

	Airport Improvement Project Fund	Total Nonmajor Capital Projects Funds
REVENUES		
Restricted intergovernmental	\$ 52,014	\$ 52,014
Total revenues	52,014	52,014
EXPENDITURES		
Current:		
Transportation	57,794	57,794
Total expenditures	57,794	57,794
Revenues over (under) expenditures	(5,780)	(5,780)
OTHER FINANCING SOURCES (USES)		
Transfer from General Fund	5,780	5,780
Transfer to General Fund	-	-
Total other financing sources (uses)	5,780	5,780
Net change in fund balances	-	-
Fund balances, beginning	110,001	110,001
Fund balances, ending	\$ 110,001	\$ 110,001

Cherokee County, North Carolina
Airport Improvement Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2023

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental:					
Grant-36237.41.12.3	\$ 11,976	\$ 11,976	\$ -	\$ 11,976	\$ -
Grant-36237.41.13.1	158,962	158,962	-	158,962	-
Grant-36237.41.13.2	15,188	10,125	-	10,125	(5,063)
Grant-36237.41.16.1	141,660	141,660	-	141,660	-
Grant-36237.41.16.1 (2)	990,000	-	-	-	(990,000)
Grant-36237.41.17.1	52,015	-	52,014	52,014	(1)
Total revenues	<u>1,369,801</u>	<u>322,723</u>	<u>52,014</u>	<u>374,737</u>	<u>(995,064)</u>
EXPENDITURES					
Transportation:					
Approach survey and obstruction evaluation 41.12.3	13,307	13,307	-	13,307	-
Airport layout plan update 41.13.1	176,625	176,625	-	176,625	-
Airport tower obstruction 41.13.2	16,876	11,250	-	11,250	5,626
Airfield lighting system (design/bid phase) 41.16.1	141,660	141,660	-	141,660	-
New airfield edge lighting, signage, and nav aids 41.16.1 (2)	1,100,000	-	-	-	1,100,000
Resurface taxiway project 41.17.1	57,795	-	57,794	57,794	1
Total expenditures	<u>1,506,263</u>	<u>342,842</u>	<u>57,794</u>	<u>400,636</u>	<u>1,105,627</u>
Revenues over (under) expenditures	(136,462)	(20,119)	(5,780)	(25,899)	(110,563)
OTHER FINANCING SOURCES (USES)					
Transfer from General Fund					
Grant-36237.41.12.3	1,331	1,331	-	1,331	-
Grant-36237.41.13.1	17,663	17,663	-	17,663	-
Grant-36237.41.13.2	1,688	1,125	-	1,125	563
Grant-36237.41.16.1 (2)	110,000	110,000	-	110,000	-
Grant-36237.41.17.1	5,780	-	5,780	5,780	-
Total other financing sources (uses)	<u>136,462</u>	<u>130,119</u>	<u>5,780</u>	<u>135,899</u>	<u>563</u>
Revenues and other sources over (under) expenditures	-	110,000	-	110,000	(110,000)
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 110,000</u>	<u>-</u>	<u>\$ 110,000</u>	<u>\$ (110,000)</u>
Fund balance, beginning			<u>110,001</u>		
Fund balance, ending			<u>\$ 110,001</u>		

Custodial Funds

Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria.

- **Municipal Tax Fund** - which accounts for vehicle property taxes that are billed and collected by the County for the municipality within the County but that are not revenues to the County.
- **Jail Inmate Pay Fund** - which accounts for funds held by the County on the behalf of inmates while they are incarcerated.
- **Sheriff's Civil Executions Fund** - which accounts for monies collected by the Sheriff's office for civil judgments.

Cherokee County, North Carolina
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2023

	Municipal Tax Fund	Jail Inmate Pay Fund	Sheriff's Civil Executions Fund	Custodial Funds
ASSETS				
Cash and cash equivalents	\$ 11,363	\$ 62,731	\$ -	\$ 74,094
LIABILITIES AND NET POSITION				
LIABILITIES				
Due to other governments	11,363	-	-	11,363
Total liabilities	11,363	-	-	11,363
NET POSITION				
Restricted for:				
Individuals, organizations, and other governments	-	62,731	-	62,731
Total fiduciary net position	\$ -	\$ 62,731	\$ -	\$ 62,731

Cherokee County, North Carolina
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2023

	Municipal Tax Fund	Jail Inmate Pay Fund	Sheriff's Civil Executions Fund	Custodial Funds
ADDITIONS				
Ad valorem taxes collected for other governments	\$ 116,832	\$ -	\$ -	\$ 116,832
Collection on behalf of inmates	-	296,650	-	296,650
Collections for civil judgments	-	-	34,688	34,688
Total additions	<u>116,832</u>	<u>296,650</u>	<u>34,688</u>	<u>448,170</u>
DEDUCTIONS				
Tax distributions to other governments	116,832	-	-	116,832
Payments on behalf of inmates	-	307,402	-	307,402
Payments to satisfy civil judgments	-	-	34,688	34,688
Total deductions	<u>116,832</u>	<u>307,402</u>	<u>34,688</u>	<u>458,922</u>
Net increase (decrease) in fiduciary net position	-	(10,752)	-	(10,752)
Net position, beginning	-	73,483	-	73,483
Net position, ending	<u>\$ -</u>	<u>\$ 62,731</u>	<u>\$ -</u>	<u>\$ 62,731</u>

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

Schedule of Transfers

Cherokee County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2023

Fiscal Year	Uncollected Beginning Balance	Additions	Collections And Credits	Uncollected Ending Balance
2022-2023	\$ -	\$ 24,857,536	\$ 24,374,092	\$ 483,444
2021-2022	322,153	-	239,625	82,528
2020-2021	84,690	-	46,697	37,993
2019-2020	48,667	-	15,999	32,668
2018-2019	32,539	-	9,301	23,238
2017-2018	23,969	-	5,399	18,570
2016-2017	18,956	-	4,208	14,748
2015-2016	14,400	-	3,051	11,349
2014-2015	11,932	-	2,346	9,586
2013-2014	18,599	-	2,840	15,759
2012-2013	19,466	-	19,466	-
	<u>\$ 595,371</u>	<u>\$ 24,857,536</u>	<u>\$ 24,723,024</u>	729,883
Less: allowance for uncollectible accounts:				
General Fund				<u>(207,263)</u>
Ad valorem taxes receivable - net:				
General Fund				<u>\$ 522,620</u>
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 24,757,358
Reconciling items:				
Interest collected				(132,856)
Release and adjustments				79,859
Taxes written off				18,663
Total reconciling items				<u>(34,334)</u>
Total collections and credits				<u>\$ 24,723,024</u>

Cherokee County, North Carolina
Analysis of Current Tax Levy
County-Wide Levy
For the Fiscal Year Ended June 30, 2023

	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	\$ 3,972,973,770	0.610	\$ 24,235,140	\$ 22,100,780	\$ 2,134,360
Penalties	-		42,414	42,414	-
Total	3,972,973,770		24,277,554	22,143,194	2,134,360
Discoveries:					
Current year taxes	95,079,016	0.610	579,982	579,982	-
Total	95,079,016		579,982	579,982	-
Releases:					
Penalties	-		(766)	(766)	-
Taxes	(6,063,279)	0.610	(36,986)	(16,708)	(20,278)
Total property valuation	\$ 4,061,989,507		(37,752)	(17,474)	(20,278)
Net levy			24,819,784	22,705,702	2,114,082
Unpaid (by taxpayer) taxes at June 30, 2023			483,444	478,838	4,606
Current year's taxes collected			\$ 24,336,340	\$ 22,226,864	\$ 2,109,476
Current levy collection percentage			98.05%	97.89%	99.78%

Cherokee County, North Carolina
Schedule of Transfers
For the Fiscal Year Ended June 30, 2023

Operating Transfers From/To Other Funds	Transfers	
	From	To
General Fund	192,499	
Capital Projects Fund		192,499
General Fund	75,000	
Revaluation Fund		75,000
General Fund	5,780	
Airport Improvement Fund		5,780
	273,279	273,279

Compliance Section

Turner & Company CPAs 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*

To the Board of County Commissioners
Cherokee County, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprises the County's basic financial statements, and have issued our report thereon dated January 24, 2025. The financial statements of the Cherokee County Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 a certain deficiency as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Cherokee County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the finding identified in our audit and 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 results 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 & Company CPAs P.A.
Murphy, North Carolina
January 24, 2025

Turner & Company CPAs P.A.

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

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

To the Board of Commissioners
Cherokee County, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cherokee County, North Carolina, compliance with the types of compliance requirements described in the OMB *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 County's major federal programs for the year ended June 30, 2023. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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, 2023.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 charges with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Turner & Company CPAs P.A.
Murphy, North Carolina
January 24, 2025

Turner & Company CPAs P.A.

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

Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

To the Board of Commissioners
Cherokee County, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Cherokee County, North Carolina's, compliance with the types of compliance requirements described in the OMB *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 County's major State programs for the year ended June 30, 2023. The County's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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, 2023.

Basis for Opinion on Each Major State Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's State programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Turner & Company CPAs P.A.

Murphy, North Carolina

January 24, 2025

Cherokee County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

I. Summary of Auditors' Results

Financial Statements

Type of report the auditors' issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified X yes no
- Significant deficiency(s) yes X none reported

Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness identified yes X no
- Significant deficiency(s) yes X none reported

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 2 CFR 200.516(a)? yes X no

Identification of major Federal Programs:

Name of Federal Program or Cluster	ALN#
Medical Assistance Program (Title XIX Medicaid)	93.778
Foster Care Title IV-E	93.658

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee yes X no

State Awards

Internal control over major State programs:

- Material weakness identified yes X no
- Significant deficiency(s) yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act yes X no

Dollar threshold used to determine a State major program: \$ 500,000

Program Name
Medical Assistance Program (Medicaid; Title XIX)
Public School Building Capital Fund - Needs Based Lottery Proceeds
Rural Transformation Grant
State Capital and Infrastructure Fund (SCIF) Directed Grant

Cherokee County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

II. Financial Statement Findings

Finding: 2023-001

MATERIAL WEAKNESS

Criteria: G.S. 159-34(a) states that each unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year.

Condition: The audited financial statements were not submitted by the original due date of October 31, 2023.

Effect: 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: The Cherokee County audit report late submission was largely due to considerable staff turnover and increased workloads. In the prior fiscal year, the Finance Office turned over an accountant position and human resources position multiple times each, with the accounting position still being open today. This turnover and subsequent vacancy has continued to put strain on the existing employees and increased their workload. The Finance Office being short staffed, coupled with increasing amounts of grants, greater demand of County services, and the implementation of multiple significant GASB statements delayed the submission of the prior year's audit, which has compounded and further delayed the submission of the current year's audit.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2022-001.

Recommendation: The County should implement procedures to ensure that required reporting is completed timely.

Views of responsible officials and planned corrective actions: The County agrees with this finding.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.



CHEROKEE COUNTY

75 Peachtree Street
Murphy, NC 28906
828-837-5527

County Administration

Randy Wiggins, County Manager
Maria Hass, Asst. County Manager/Clerk to the Board
Candy R. Anderson, CPA, Chief Financial Officer
Darryl R. Brown, County Attorney

Board of Commissioners

Dr. Dan Eichenbaum, Chairman
Cal Stiles, Vice-Chairman
Ben Adams, Member
Alan Bryant, Member
Mark Stiles, Member

Corrective Action Plan For the Fiscal Year Ended June 30, 2023

II. Financial Statement Findings

Finding: 2023-001

Name of contact person: Candy R. Anderson, CPA, CGMA, Chief Financial Officer

Corrective Action: The County has continued to improve existing procedures to ensure that financial data that is collected and reviewed is reported timely. An additional staff position has been added to the Finance Department to assist with the existing workload. The County is currently recruiting heavily to fill the vacant accountant position. In the interim, the County has hired, on a part-time basis, a retired former employee of the Cherokee County Finance Office with 25 years of experience to assist in catching up the workload. Staff training is ongoing.

Proposed Completion Date: Ongoing

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.



CHEROKEE COUNTY

75 Peachtree Street
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828-837-5527

County Administration

Randy Wiggins, County Manager
Maria Hass, Asst. County Manager/Clerk to the Board
Candy R. Anderson, CPA, Chief Financial Officer
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Board of Commissioners

Dr. Dan Eichenbaum, Chairman
Cal Stiles, Vice-Chairman
Ben Adams, Member
Alan Bryant, Member
Mark Stiles, Member

Summary Schedule of Prior Year Audit Findings For the Fiscal Year Ended June 30, 2023

Finding: 2022-001

Status: This finding is repeated as 2023-001

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
Federal Awards:					
<u>U.S. Department of Agriculture</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	\$ 261,898	\$ -	\$ -
FNS - ARPA	10.561	XXXX	52,014	-	-
Total Supplemental Nutrition Assistance Program Cluster			<u>313,912</u>	<u>-</u>	<u>-</u>
Passed-through the N.C. Department of Health and Human Services:					
Division of Public Health:					
Administration:					
Special Supplemental Nutrition Program for Women, Infants, & Children (Note 5)	10.557	XXXX	152,443	-	-
Total U.S. Department of Agriculture			<u>466,355</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
Airport Improvement Program					
Project 36237.41.17.1	20.106	XXXX	52,014	-	-
Total Airport Improvement Program			<u>52,014</u>	<u>-</u>	<u>-</u>
Formula Grants for Other than Urbanized Areas					
Project 36233.22.24.1	20.509	XXXX	136,279	8,516	-
Project 50371.12.1.2	20.509	XXXX	309,319	-	-
Total Formula Grants for Other than Urbanized Areas			<u>445,598</u>	<u>8,516</u>	<u>-</u>
Transit Services Programs Cluster:					
Enhanced Mobility of Seniors and Individuals with Disabilities					
Project 51001.30.10.2	20.513	XXXX	44,138	-	-
Total Transit Services Programs Cluster			<u>44,138</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Transportation			<u>541,750</u>	<u>8,516</u>	<u>-</u>
<u>U. S. Department of Homeland Security</u>					
Passed-through N.C. Department of Public Safety:					
Division of Emergency Management					
Emergency Management Performance Grants (EMPG)	97.042	XXXX	39,032	-	-
Total U. S. Department of Homeland Security			<u>39,032</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Health & Human Services</u>					
<u>Administration on Aging</u>					
Passed-through Southwest Commission Council of Governments:					
Division of Aging and Adult Services:					
Aging Cluster:					
Special Programs for the Aging - Title III B Grants for Supportive Services and Senior Centers	93.044	XXXX	128,888	22,745	-
Special Programs for the Aging - Title III C Nutrition Services	93.045	XXXX	191,081	33,720	-
Supplemental Nutrition Funding (HDC 5)	93.045	XXXX	9,833	-	-
			<u>200,914</u>	<u>33,720</u>	<u>-</u>
Nutrition Services Incentive Program	93.053	XXXX	21,704	-	-
Total Aging Cluster			<u>351,506</u>	<u>56,465</u>	<u>-</u>
Passed-through the N.C. Department of Health and Human Services:					
Division of Social Services:					
Temporary Assistance for Needy Families (TANF) Cluster					
TANF - Work First Administration	93.558	XXXX	31,734	-	-
TANF - Work First Service	93.558	XXXX	169,968	-	-
Total TANF Cluster			<u>201,702</u>	<u>-</u>	<u>-</u>

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
<u>Foster Care and Adoption Cluster (Note 4 and 5)</u>					
Adoption Assistance	93.659	XXXX	27,498	-	-
Foster Care Title IV-E	93.658	XXXX	491,750	5,157	-
Foster Care Title IV-E - Benefit Payments	93.658	XXXX	256,829	60,446	-
Total Foster Care and Adoption Cluster (Note 4 and 5)			776,077	65,603	-
MaryLee Allen Promoting Safe and Stable Families Program	93.556	XXXX	12,971	-	-
Child Support Enforcement	93.563	XXXX	173,656	-	-
Refugee and Entrant Assistance - State					
Replacement Designee Administered Programs	93.566	XXXX	24	-	-
Low-Income Home Energy Assistance:					
Weatherization Assistance and Heating and Air Repair	93.568	XXXX	97,528	-	-
COVID-19 Weatherization Assistance and Heating and Air Repair	93.568	XXXX	40,824	-	-
Crisis Intervention Program	93.568	XXXX	29,612	-	-
Total Low-Income Home Energy Assistance			167,964	-	-
Stephanie Tubbs Jones Child Welfare Services Program:					
- Permanency Planning - Families for Kids	93.645	XXXX	10,912	(2,738)	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood:					
- Administrative and Services	93.674	XXXX	3,970	992	-
- Benefit Payments	93.674	XXXX	32,338	-	-
Total John H. Chafee Foster Care Program for Successful Transition to Adulthood			36,308	992	-
Social Service Block Grant - Other Service and Training	93.667	XXXX	97,841	-	-
Social Services Block Grant:					
State Child Protective Services	93.667	XXXX	37,698	-	-
State Adult Day Care	93.667	XXXX	16,145	-	-
State In Home Service Fund	93.667	XXXX	14,811	-	-
Total Social Service Block Grant			68,654	-	-
Division of Child Development and Early Education:					
Subsidized Child Care (Note 5)					
<u>Child Care Development Fund Cluster:</u>					
Division of Social Services:					
Child Care Development Mandatory and Match Fund - Administration	93.596	XXXX	65,355	-	-
Total Subsidized Child Care (Note 5)			65,355	-	-
Passed-through the N.C. Department of Health and Human Services:					
Division of Medical Assistance:					
Division of Social Services:					
Administration:					
Medical Assistance Program (Note 5)	93.778	XXXX	1,167,979	277,828	-
Total Medical Assistance Program			1,167,979	277,828	-
Division of Social Services:					
Administration:					
Children's Health Insurance Program - N.C. Health Choice (Note 5)	93.767	XXXX	35,692	1,362	-
Total Children's Health Insurance Program - N.C. Health Choice			35,692	1,362	-
Passed-through the N.C. Department of Health and Human Services:					
Division of Public Health:					
Public Health Emergency Preparedness	93.069	XXXX	24,488	-	-
Project Grants & Cooperative Agreements for Tuberculosis Control Programs	93.116	XXXX	29	-	-
Family Planning Services	93.217	XXXX	31,972	-	-
Temporary Assistance for Needy Families	93.558	XXXX	1,896	-	-

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
Immunization Cooperation Agreements	93.268	XXXX	9,220	-	-
COVID-19 - Immunization Cooperation Agreements	93.268	XXXX	30,347	-	-
Total Immunization Cooperation Agreements			39,567	-	-
Sexually Transmitted Diseases (STD)					
Prevention and Control Grants	93.977	XXXX	58	-	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	XXXX	3,040	-	-
Epidemiology and Laboratory Capacity for Infectious Diseases:					
ELC Enhancing Detection Activities	93.323	XXXX	149	-	-
Preventive Health and Health Services Block Grant	93.991	XXXX	30,607	-	-
Maternal and Child Health Services Block Grant					
Child Health	93.994	XXXX	21,221	-	-
Infant Mortality Reduction	93.994	XXXX	36,703	-	-
HMHC-FP - February Start	93.994	XXXX	5,797	4,349	-
Total Maternal and Child Health Services Block Grant	93.994	XXXX	63,721	4,349	-
Passed-through the N.C. Department of Health and Human Services:					
Division of Insurance:					
Medicare Improvements for Patients Providers Act	93.071	XXXX	3,010	-	-
CDAP - State Health Insurance Assistance Program	93.324	XXXX	7,394	-	-
Total U.S. Department of Health and Human Services			3,372,572	403,861	-
Total federal awards			4,419,709	412,377	-
State Awards:					
<u>N.C. Department of Administration</u>					
Veterans Service		XXXX	-	2,083	-
Total N.C. Department of Administration			-	2,083	-
<u>N.C. Department of Commerce</u>					
Rural Transformation Grant		XXXX	-	550,000	-
Total N.C. Department of Commerce			-	550,000	-
<u>N.C. Department of Environmental Quality</u>					
Division of Waste Management					
Community Waste Reduction and Recycling Grant Program		XXXX	-	27,000	-
Scrap Tire Program		XXXX	-	5,269	-
Underground Storage Tank Fund		XXXX	-	3,569	-
Total N.C. Department of Environmental Quality			-	35,838	-
<u>N.C. Department of Health and Human Services</u>					
Division of Social Services					
Direct Benefit Payments					
State Foster Home		XXXX	-	42,806	-
State Child Welfare/CPS/CS LD		XXXX	-	48,440	-
Foster Care at Risk Maximization		XXXX	-	8,953	-
State Foster Home Fund (SFHF) Maximization		XXXX	-	86,362	-
Extended Foster Care Maximization Non IV-E programs		XXXX	-	10,797	-
Total Division of Social Service			-	197,358	-
Division of Public Health					
Food and Lodging Fees		XXXX	-	14,861	-
Public Health Capacity Building		XXXX	-	89,813	-
Public Health Nursing		XXXX	-	400	-
General Communicable Disease Control		XXXX	-	51,296	-
Child Health		XXXX	-	9,468	-
HIV/STD - State		XXXX	-	844	-
Healthy Communities		XXXX	-	3,747	-
Breast and Cervical Cancer		XXXX	-	2,810	-
School Health Center		XXXX	-	44,440	-

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
School Nurse Funding Initiative		XXXX	-	100,000	-
Family Planning - State		XXXX	-	13,276	-
Maternal Health		XXXX	-	5,858	-
Women Health Service Fund		XXXX	-	5,714	-
Tuberculosis Control		XXXX	-	1,680	-
Total Division of Public Health			-	344,207	-
Total N. C. Department of Health and Human Services			-	541,565	-
<u>N.C. Office of State Budget and Management</u>					
State Capital and Infrastructure Fund (SCIF) Directed Grant		XXXX	-	930,080	-
Total N.C. Office of State Budget and Management			-	930,080	-
<u>N.C. Department of Public Instruction</u>					
Public School Building Capital Fund - Needs Based Lottery Proceeds		XXXX	-	5,778,982	5,778,982
Total N.C. Department of Public Instruction			-	5,778,982	5,778,982
<u>N.C. Department of Public Safety</u>					
Enforcing the Law Grant (Session Law 2021-180)		XXXX	-	60,056	-
Division of Juvenile Justice and Delinquency Prevention					
Juvenile Crime Prevention Programs		XXXX	-	106,088	100,338
Total N.C. Department of Public Safety			-	166,144	100,338
<u>N.C. Department of Transportation</u>					
Rural Operating Assistance Program (ROAP)					
- ROAP Elderly and Disabled Transportation Assistance Program		XXXX	-	48,788	-
- ROAP Rural General Public Program		XXXX	-	56,555	-
- ROAP Work First Transitional - Employment		XXXX	-	10,261	-
Total ROAP Cluster			-	115,604	-
Total State awards			-	8,120,296	5,879,320
Total federal and State awards			\$ 4,419,709	\$ 8,532,673	\$ 5,879,320

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Cherokee County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Cherokee County, it is not intended to and does not present the financial position, changes in net position or cash flows of Cherokee County.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

Cherokee County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Cluster of Programs

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

Note 5: 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 basic financial statements because they are not revenues and expenditures of the County.

Program Title	ALN No.	Federal	State
Special Supplemental Nutrition Program for Women Infant and Children	10.557	502,982	-
Supplemental Nutrition Assistance Program	10.551	13,752,438	-
Temporary Assistance for Needy Families	93.558	47,822	-
Temporary Assistance for Needy Families - PEAFF	93.558	17,792	-
Adoption Assistance	93.659	347,537	69,361
Medical Assistance Program	93.778	53,217,126	20,932,127
Children's Health Insurance Program	93.767	210,531	47,092
Child Welfare Services Adoption		-	173,644
State / County Special Assistance Program (Domiciliary Care)		-	169,080