

Cherokee County, North Carolina
Financial Statements
June 30, 2017

Turner & Company CPAs P.A.

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

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June 30, 2017

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INTRODUCTORY INFORMATION

Cherokee County, North Carolina

List of Principal Officials

As of June 30, 2017

BOARD OF COUNTY COMMISSIONERS

Dr. Dan Eichenbaum - Chairman

Gary Westmoreland - Vice Chairman

C.B. McKinnon - Commissioner

Cal Stiles - Commissioner

Roy Dickey - Commissioner

COUNTY OFFICIALS

Randy Wiggins - County Manager

Candy R. Anderson, CPA, CGMA - Finance Director

R. Scott Lindsay - County Attorney/Assistant Clerk to the Board

Maria Hass - Clerk to the Board/Assistant County Manager

Daphne Dockery - Register of Deeds

Eddie Allen - Tax Assessor

Evelyn Postell - Tax Collector

Derrick Palmer - Sheriff

David Badger - Health Director

Cindy Palmer - 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

Board of County Commissioners
Cherokee County
Murphy, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Cherokee County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Tourism Development Authority was not audited in accordance with Governmental Auditing Standards.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof 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.

Emphasis of Matter

As described in Note IX to the financial statements, for the year ended June 30, 2017, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, the Other Post Employment Benefit Schedules of Funding Progress and Employer Contributions on page 54, the Local Government Employees' Retirement System schedules of the County's Proportionate Share of Net Pension Liability and County Contributions, pages 55 and 56, and the Register of Deeds' Supplemental Pension Fund schedules of the County's Proportionate Share of the Net Pension Asset and County Contributions on pages 57 and 58, 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 59 and 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 Cherokee County's basic financial statements. The 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 (CFR) 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.

The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2017 on our consideration of Cherokee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cherokee County's internal control over financial reporting and compliance.

Turner & Company CPAs P.A.

TURNER & COMPANY CPAs P.A.
Murphy, North Carolina
December 4, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cherokee County, North Carolina
Management's Discussion and Analysis
June 30, 2017

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, 2017. 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

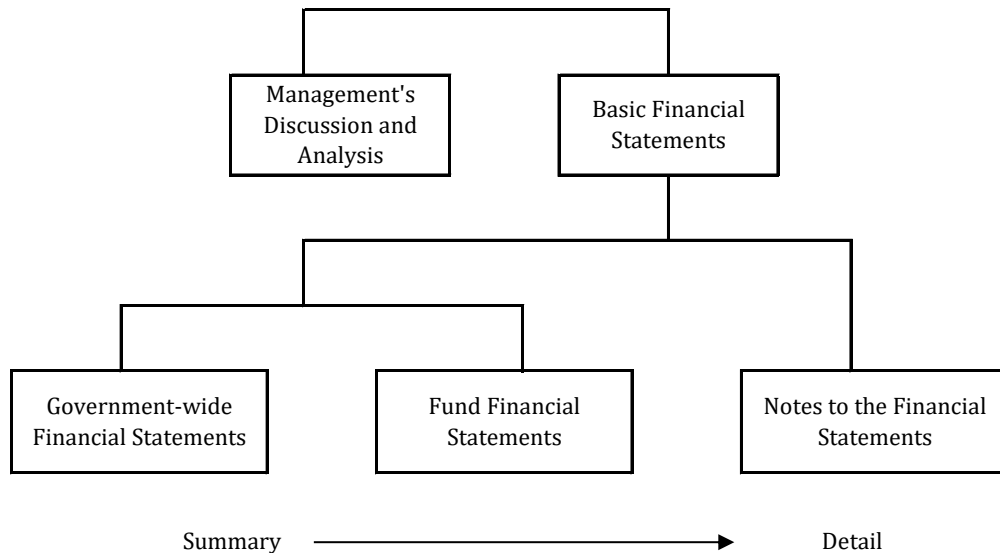
- The assets and deferred outflows of resources of Cherokee County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$44,736,472 (*net position*).
- The government's total net position increased by \$2,691,069, primarily due to management's focus on monitoring spending and maximizing revenue collection.
- As of the close of the current fiscal year, Cherokee County's governmental funds reported combined ending fund balances of \$24,325,431, after a net decrease in fund balance of \$1,573,765. Approximately 60.45% of this total amount, or \$14,703,508, is restricted, committed, or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,007,178, or 27.16% of total general fund expenditures for the fiscal year.
- Cherokee County's total debt decreased by \$5,289,430 (28.63%) during the current fiscal year. The County incurred no additional long-term debt during the fiscal year. The reduction in debt was due to the principal payments on all debt and the total payoff of \$3,250,000 Qualified Zone Academy Bonds.

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 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements of Cherokee County: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains information about the County's pension plan and other post employment benefits.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how 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 three categories: 1) governmental activities; 2) business-type activities; and 3) 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 business-type activities are those that the County charges customers to provide. This includes the Pool and Wellness Center. The final category is the component unit. The Cherokee County Tourism Development Authority, which was created to promote activities and programs, which encourage travel and tourism in the area, is a public authority under North Carolina Statutes and is governed by a 7-member appointed board of directors.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Cherokee County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Cherokee County can be divided into three categories: governmental funds, proprietary 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.

Proprietary Funds – Cherokee County has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. This fund is used to account for the operation of the fitness and recreation center. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds - Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Cherokee County, North Carolina has four fiduciary funds, of which two are trust funds and two are agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 23 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Cherokee County's progress in funding its obligation to provide pension benefits to its employees. Supplementary information can be found beginning on page 53 of this report.

Government-Wide Financial Analysis

Cherokee County, North Carolina's Net Position

Figure 2

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 27,768,387	\$ 29,549,357	\$ 47,746	\$ 76,805	\$ 27,816,133	\$ 29,626,162
Internal balances	13,042	46,259	(13,042)	(46,259)	-	-
Capital assets	37,118,874	37,286,002	2,489,806	2,585,436	39,608,680	39,871,438
Total assets	64,900,303	66,881,618	2,524,510	2,615,982	67,424,813	69,497,600
Total deferred outflows of resources	3,536,603	770,804	35,432	5,645	3,572,035	776,449
Long-term liabilities outstanding	18,420,592	23,414,518	2,334	1,218	18,422,926	23,415,736
Other liabilities	7,302,129	3,978,473	84,830	44,447	7,386,959	4,022,920
Total liabilities	25,722,721	27,392,991	87,164	45,665	25,809,885	27,438,656
Total deferred inflows of resources	448,509	722,828	1,982	3,585	450,491	726,413
Net position:						
Net investment in capital assets	29,658,524	28,297,635	2,489,806	2,585,436	32,148,330	30,883,071
Restricted	8,109,414	10,213,883	-	-	8,109,414	10,213,883
Unrestricted	4,497,738	1,025,085	(19,010)	(13,059)	4,478,728	1,012,026
Total net position	\$ 42,265,676	\$ 39,536,603	\$ 2,470,796	\$ 2,572,377	\$ 44,736,472	\$ 42,108,980

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Cherokee County exceeded liabilities by \$44,736,472 as of June 30, 2017. The County's net position increased by \$2,691,069 for the fiscal year ended June 30, 2017. One of the largest portions \$32,148,330 (71.86%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Cherokee County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Cherokee County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Cherokee County's net position \$8,109,414 (18.13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,478,728 (10.01%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 97.62% (ad valorem), lower than the statewide average of 98.82%, and slightly lower than the county average of 97.81% for counties with populations from 25,000 to 49,999. The percentage collection rate increased slightly due to increased vigilance on the part of the Tax Collector to collect taxes in a timely manner.
- The County has maintained stricter policies on spending and implemented cost savings measures despite an increase in overall expenditures.
- The pay off of the \$3,250,000 QZAB debt positively influenced unrestricted net position.

Cherokee County, North Carolina's Changes in Net Position

Figure 3

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 6,136,260	\$ 6,335,112	\$ 325,257	\$ 291,914	\$ 6,461,517	\$ 6,627,026
Operating grants and contributions	6,541,899	6,486,779	45,753	44,114	6,587,652	6,530,893
Capital grants and contributions	704,019	316,073	-	-	704,019	316,073
General revenues:						
Property taxes	18,411,116	18,288,796	-	-	18,411,116	18,288,796
Other taxes	7,541,905	6,651,298	-	-	7,541,905	6,651,298
Grants and contributions not restricted to specific programs	1,519,091	1,373,871	-	-	1,519,091	1,373,871
Other	300,830	396,771	4,905	11	305,735	396,782
Total revenues	41,155,120	39,848,700	375,915	336,039	41,531,035	40,184,739
Expenses:						
General government	4,038,766	3,961,292	-	-	4,038,766	3,961,292
Public safety	12,073,783	11,451,065	-	-	12,073,783	11,451,065
Transportation	1,307,479	1,213,242	-	-	1,307,479	1,213,242
Economic and physical development	1,123,485	741,839	-	-	1,123,485	741,839
Environmental protection	1,572,934	1,027,778	-	-	1,572,934	1,027,778
Human services	9,168,272	8,744,925	-	-	9,168,272	8,744,925
Cultural and recreation	512,104	499,483	482,090	439,928	994,194	939,411
Education	8,244,907	7,577,375	-	-	8,244,907	7,577,375
Interest on long-term debt	316,146	289,765	-	-	316,146	289,765
Total expenses	38,357,876	35,506,764	482,090	439,928	38,839,966	35,946,692
Increase (decrease) in net position before transfers	2,797,244	4,341,936	(106,175)	(103,889)	2,691,069	4,238,047
Transfers	(4,594)	-	4,594	-	-	-
Increase in net position after transfers	2,792,650	4,341,936	(101,581)	(103,889)	2,691,069	4,238,047
Net position, beginning, previously reported	39,536,603	35,309,195	2,572,377	2,676,266	42,108,980	37,985,461
Net position, beginning, restated	39,473,026	35,194,667	2,572,377	2,676,266	42,045,403	37,870,933
Net position, ending	\$ 42,265,676	\$ 39,536,603	\$ 2,470,796	\$ 2,572,377	\$ 44,736,472	\$ 42,108,980

Governmental activities. Governmental activities increased the County's net position by \$2,792,650 thereby accounting for 103.77% of the total growth in the net position of Cherokee County. Key elements of this increase are as follows:

- Maintenance of the County's high tax collection rate of 97.62%.
- Increase in grants and contributions not restricted to specific programs.
- The passing of the Article 46 sales tax referendum increased sales tax revenue as expected.

Business-type Activities. Business-type activities decreased the County's net position by \$101,581. There was a \$106,175 decrease in net position before transfers. Although the revenue generated by the Pool and Wellness Center increased, the increase was not sufficient to cover the increase in operating expenses.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Cherokee County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Cherokee County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Cherokee County. At the end of the current fiscal year, Cherokee County's fund balance available in the General Fund was \$17,251,200 while total fund balance reached \$21,133,616. 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 46.32% of general fund expenditures, while total fund balance represents 56.74% of the same amount.

At June 30, 2017, the governmental funds of Cherokee County reported a combined fund balance of \$24,325,431, a 6.08% decrease from last year. The primary reason for this decrease was attributable to the \$3,250,000 debt service expenditure to pay off the QZAB debt in the Debt Service Fund.

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 \$514,085. Budget amendments were made concurrently as facts and circumstances became known with revenue and expenditure streams.

Proprietary Funds. Cherokee County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Pool and Wellness Center at the end of the fiscal year amounted to a deficit of \$19,010. The total decrease in net position for the Pool and Wellness Center was \$101,581. Other factors concerning the finances of these funds have already been addressed in the discussion of Cherokee County's business-type activities.

Capital Asset and Debt Administration

Capital Assets. Cherokee County, North Carolina's capital assets for its governmental and business-type activities as of June 30, 2017, totals \$39,608,680 (net of accumulated depreciation). These assets include land, construction in progress, buildings, equipment, and vehicles.

Major capital asset transactions during the year include the following:

Governmental Activities.

- Addition of construction in progress for the restoration of the courthouse dome and lantern and EMS Station 4 construction.
- Purchased vehicles for the Sheriff's Department, Social Services Department, Sanitation Department, Transit Department, Tax Assessor's Department, and the Public Buildings/Maintenance Department.
- Purchased 911 dispatch consoles for the Emergency Management Department.
- Paved Rescue Squad driveway.
- Purchased computer equipment for the Information Technology Department.
- Purchased five Lucas 2 chest compression devices and five Zoll X Series monitor/defibrillators for the Emergency Medical Services Department.
- Purchased six Pro-Tainer recycling drop boxes for the Solid Waste Department.
- Capitalized improvements at the Detention Center.
- Purchased a short-haul combiner and a communications recording system for the Central Communications Department.
- Resurfaced tennis courts for the Parks and Recreation Department.
- Purchased medical carts for the Health Department.

Business-Type Activities.

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

Construction commitments

The County has the following active construction commitments with contractors at June 30, 2017:

Project	Spent-to-date	Remaining Commitment
Water Line & Fiber Optic Extension	\$ 353,963	\$ 87,765
Airport Improvement Project	169,304	116,626
Total	<u>\$ 523,267</u>	<u>\$ 204,391</u>

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital Assets:						
Land	\$ 6,756,632	\$ 6,756,632	\$ -	\$ -	\$ 6,756,632	\$ 6,756,632
Construction in progress	129,564	4,010	-	-	129,564	4,010
Land Improvements	70,543	51,332	-	-	70,543	51,332
Buildings	19,902,984	20,396,937	2,466,949	2,528,689	22,369,933	22,925,626
Other improvements	7,626,144	7,967,424	20,529	47,096	7,646,673	8,014,520
Equipment	862,331	692,500	2,328	9,651	864,659	702,151
Software	-	-	-	-	-	-
Computers & electronic equipment	484,956	114,936	-	-	484,956	114,936
Vehicles & motorized equipment	1,285,720	1,302,231	-	-	1,285,720	1,302,231
Total capital assets	<u>\$ 37,118,874</u>	<u>\$ 37,286,002</u>	<u>\$ 2,489,806</u>	<u>\$ 2,585,436</u>	<u>\$ 39,608,680</u>	<u>\$ 39,871,438</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 general obligation bonds, revenue bonds, installment financings, capital leases, certificates of participation and bond anticipation notes. As of June 30, 2017, Cherokee County had total debt outstanding of \$13,184,865. 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		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Installment notes payable	\$ 13,175,041	\$ 18,461,538	\$ -	\$ -	\$ 13,175,041	\$ 18,461,538
Capital leases	9,824	12,757	-	-	9,824	12,757
Total debt outstanding	<u>13,184,865</u>	<u>18,474,295</u>	<u>-</u>	<u>-</u>	<u>13,184,865</u>	<u>18,474,295</u>
Landfill closure costs	3,209,591	3,106,107	-	-	3,209,591	3,106,107
Other post employment benefits	1,366,718	1,224,203	-	-	1,366,718	1,224,203
Compensated absences	659,418	609,913	2,334	1,218	661,752	611,131
Net pension liability (LGERS)	4,119,020	780,998	41,605	5,783	4,160,625	786,781
Net pension obligation (LEOSSA)	367,600	268,271	-	-	367,600	268,271
Total long-term obligations	<u>\$ 22,907,212</u>	<u>\$ 24,463,787</u>	<u>\$ 43,939</u>	<u>\$ 7,001</u>	<u>\$ 22,951,151</u>	<u>\$ 24,470,788</u>

Cherokee County's total debt decreased by \$5,289,430 (28.63%) during the current fiscal year. The County incurred no additional long-term debt during the fiscal year. The reduction in debt was due to the principal payments on all debt and the total payoff of \$3,250,000 Qualified Zone Academy Bonds.

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, 2017 the County had debt outstanding of \$5,714,691 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 \$238,107,828.

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

Economic Factors and Next Year's Budgets and Rates

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

- At June 30, 2017, the County had an unemployment rate of 4.6%, higher than the statewide rate (not seasonally adjusted) of 4.2%.
- At June 30, 2017, forty-four counties had unemployment rates at or below the State's 4.2% percent rate.
- Even with a struggling economy and high unemployment, the County's unemployment rate decreased 1.2% from the prior year.
- The County has maintained stricter policies on spending and implemented cost savings measures.
- The growth of the County has been slight.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities: The property tax rate was maintained at 52 cents per \$100 of valuation to maintain current tax revenue streams. As the property tax remains the only revenue source controlled locally, a high collection rate remains imperative to provide an equitable distribution of taxes. All fees levied by Cherokee County will remain unchanged for fiscal year 2017-2018. Sales tax revenues represent the second largest, unrestricted, revenue source. Consumer spending is still on the rise. After realizing an expected increase of 7% across fiscal years ended June 30, 2016 and 2017, the County expects this increase to remain steady and is not projecting a change. However, sales tax collections are expected to remain relatively flat with the exception of the addition of sales tax proceeds from the voter-approved Article 46 designated by the Board for education purposes. Other revenue sources that provide funding for operating expenditures have for the most part remained flat for the coming fiscal year. The County will continue to fund current programs, and continue to look for ways to offer these services at a lower cost to the County. Budgeted expenditures in the General Fund for 2018 are \$37,908,725. This is a small increase from the prior year budget. Based on the desire to maintain the current millage rate it is not possible with other demands on the budget to make provisions for a cost of living adjustment.

The County has chosen to appropriate fund balance in the amount of \$127,000 for the fiscal year 2018 budget to address some capital needs. Management believes that increased revenues and continued restrictions on spending will maintain the County's financial position. As the County considers future revenue sources, it will weigh the benefit of increasing the property tax rate against the cost. Though management believes current growth will generate enough revenue to support County operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Business-Type Activities: The County budgeted \$343,640 for the operation of the Pool and Wellness Center, which represents a minimal decrease compared to the prior year.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Cherokee County, 75 Peachtree Street, Murphy, NC 28906. You can also call (828) 837-2130, visit our website <http://www.cherokeeconomy-nc.gov/> or send an email to candy.anderson@cherokeeconomy-nc.gov for more information.

BASIC FINANCIAL STATEMENTS

Cherokee County, North Carolina
Statement of Net Position
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Tourism Development Authority
ASSETS				
Cash and cash equivalents	\$ 19,477,659	\$ 8,489	\$ 19,486,148	\$ 207,848
Restricted cash	420,194	35,235	455,429	-
Investments	3,342,919	-	3,342,919	-
Receivables (net)	4,284,309	4,022	4,288,331	-
Due from other governments	147,227	-	147,227	66,887
Inventories	19,935	-	19,935	-
Internal balances	13,042	(13,042)	-	-
Prepaid items	4,660	-	4,660	-
Net pension asset	71,484	-	71,484	-
Capital assets:				
Land, improvements, construction in progress	6,886,196	-	6,886,196	158,216
Other capital assets, net of depreciation	30,232,678	2,489,806	32,722,484	-
Total capital assets	37,118,874	2,489,806	39,608,680	158,216
Total assets	64,900,303	2,524,510	67,424,813	432,951
DEFERRED OUTFLOWS OF RESOURCES	3,536,603	35,432	3,572,035	-
LIABILITIES				
Accounts payable and accrued expenses	2,648,455	7,990	2,656,445	2,690
Accrued interest payable	167,054	-	167,054	-
Liabilities to be paid from restricted assets	-	35,235	35,235	-
Long-term liabilities:				
Net pension liability - LGERS	4,119,020	41,605	4,160,625	-
Net pension obligation - LEOSSA	367,600	-	367,600	-
Due within one year	2,219,774	-	2,219,774	-
Due in more than one year	16,200,818	2,334	16,203,152	-
Total liabilities	25,722,721	87,164	25,809,885	2,690
DEFERRED INFLOWS OF RESOURCES	448,509	1,982	450,491	-
NET POSITION				
Net investment in capital assets	29,658,524	2,489,806	32,148,330	158,216
Restricted for:				
Debt service	2,957,270	-	2,957,270	-
Public safety	199,834	-	199,834	-
Economic development	108	-	108	-
Education	674,523	-	674,523	-
Stabilization by State Statute	4,277,679	-	4,277,679	66,887
Unrestricted (deficit)	4,497,738	(19,010)	4,478,728	205,158
Total net position	\$ 42,265,676	\$ 2,470,796	\$ 44,736,472	\$ 430,261

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, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business -type Activities	Total	Tourism Development Authority
Primary government:								
Governmental Activities:								
General government	\$ 4,038,766	\$ 520,176	\$ 580	\$ -	\$ (3,518,010)	\$ -	\$ (3,518,010)	
Public safety	12,073,783	2,859,061	475,801	-	(8,738,921)	-	(8,738,921)	
Transportation	1,307,479	336,128	402,154	150,949	(418,248)	-	(418,248)	
Economic and physical development	1,123,485	-	67,714	311,015	(744,756)	-	(744,756)	
Environmental protection	1,572,934	1,869,231	91,622	-	387,919	-	387,919	
Human services	9,168,272	551,184	5,468,611	-	(3,148,477)	-	(3,148,477)	
Cultural and recreation	512,104	480	-	-	(511,624)	-	(511,624)	
Education	8,244,907	-	35,417	242,055	(7,967,435)	-	(7,967,435)	
Interest on long-term debt	316,146	-	-	-	(316,146)	-	(316,146)	
Total governmental activities	<u>38,357,876</u>	<u>6,136,260</u>	<u>6,541,899</u>	<u>704,019</u>	<u>(24,975,698)</u>	<u>-</u>	<u>(24,975,698)</u>	
Business-type activities:								
Pool and Wellness Center	482,090	325,257	45,753	-	-	(111,080)	(111,080)	
Total primary government	<u>\$ 38,839,966</u>	<u>\$ 6,461,517</u>	<u>\$ 6,587,652</u>	<u>\$ 704,019</u>	<u>(24,975,698)</u>	<u>(111,080)</u>	<u>(25,086,778)</u>	
Component unit:								
Tourism Development Authority	<u>\$ 230,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (230,953)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					18,411,116	-	18,411,116	-
Local option sales tax					6,807,193	-	6,807,193	-
Other taxes and licenses					734,712	-	734,712	344,650
Grants and contributions not restricted to specific programs					1,519,091	-	1,519,091	-
Investment earnings, unrestricted					140,862	14	140,876	-
Miscellaneous, unrestricted					159,968	4,891	164,859	-
Total general revenues excluding transfers					<u>27,772,942</u>	<u>4,905</u>	<u>27,777,847</u>	<u>344,650</u>
Transfers					(4,594)	4,594	-	-
Total general revenues and transfers					<u>27,768,348</u>	<u>9,499</u>	<u>27,777,847</u>	<u>344,650</u>
Change in net position					2,792,650	(101,581)	2,691,069	113,697
Net position, beginning as previously reported					39,536,603	2,572,377	42,108,980	316,564
Restatement					(63,577)	-	(63,577)	-
Net position, beginning as restated					<u>39,473,026</u>	<u>2,572,377</u>	<u>42,045,403</u>	<u>316,564</u>
Net position, ending					<u>\$ 42,265,676</u>	<u>\$ 2,470,796</u>	<u>\$ 44,736,472</u>	<u>\$ 430,261</u>

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

Cherokee County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2017

	Major		Non-Major	
	General Fund	Debt Service	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 19,220,525	\$ -	\$ 257,134	\$ 19,477,659
Restricted cash	418,593	1,493	108	420,194
Investments	387,142	2,955,777	-	3,342,919
Receivables, net				
Taxes	360,922	-	78,369	439,291
Accounts	3,368,260	-	419,858	3,788,118
Due from other governments	147,227	-	-	147,227
Due from other funds	342,334	-	-	342,334
Inventories	19,935	-	-	19,935
Prepaid items	4,660	-	-	4,660
Total assets	<u>\$ 24,269,598</u>	<u>\$ 2,957,270</u>	<u>\$ 755,469</u>	<u>\$ 27,982,337</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,535,192	\$ -	\$ 113,263	\$ 2,648,455
Due to other funds	-	-	329,292	329,292
Total liabilities	<u>2,535,192</u>	<u>-</u>	<u>442,555</u>	<u>2,977,747</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	360,922	-	78,369	439,291
Unearned revenue	239,868	-	-	239,868
Total deferred inflows of resources	<u>600,790</u>	<u>-</u>	<u>78,369</u>	<u>679,159</u>
Fund balances:				
Nonspendable:				
Inventories	19,935	-	-	19,935
Prepaid items	4,660	-	-	4,660
Restricted:				
Stabilization by State Statute	3,857,821	-	419,858	4,277,679
Public safety	-	-	199,834	199,834
Economic and physical development	-	-	108	108
School Capital	674,523	-	-	674,523
Debt service	-	2,957,270	-	2,957,270
Committed:				
Tax revaluation	418,593	-	-	418,593
School capital outlay	1,620,367	-	-	1,620,367
Law enforcement	85,650	-	-	85,650
Landfill	3,138,798	-	-	3,138,798
EMS Station 1	500,000	-	-	500,000
General government - capital outlay	670,798	-	-	670,798
Cultural and recreational - capital outlay	10,000	-	-	10,000
Assigned:				
Subsequent year's expenditures	127,000	-	-	127,000
Unassigned:	10,005,471	-	(385,255)	9,620,216
Total fund balances	<u>21,133,616</u>	<u>2,957,270</u>	<u>234,545</u>	<u>24,325,431</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 24,269,598</u>	<u>\$ 2,957,270</u>	<u>\$ 755,469</u>	<u>\$ 27,982,337</u>

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

Cherokee County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2017

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

Total Fund Balances for Governmental Funds	\$ 24,325,431
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	37,118,874
Net pension asset	71,484
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	809,245
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	6,391
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	56,900
Net pension liability	(4,119,020)
Total pension liability	(367,600)
Deferred inflows of resources for taxes and special assessments receivable	439,291
Pension related deferrals	2,512,326
Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.	<u>(18,587,646)</u>
Net position of governmental activities	<u><u>\$ 42,265,676</u></u>

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

Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	Major		Non-Major	Total
	General Fund	Debt Service	Other Governmental Funds	
REVENUES				
Ad valorem taxes	\$ 16,588,041	\$ -	\$ 1,886,069	\$ 18,474,110
Local option sales tax	6,807,193	-	-	6,807,193
Other taxes and licenses	734,712	-	-	734,712
Unrestricted intergovernmental	1,519,091	-	-	1,519,091
Restricted intergovernmental	6,649,260	-	640,280	7,289,540
Permits and fees	1,995,668	-	-	1,995,668
Sales and services	4,096,970	-	-	4,096,970
Investment earnings	23,598	114,701	276	138,575
Miscellaneous	169,247	-	-	169,247
Total revenues	38,583,780	114,701	2,526,625	41,225,106
EXPENDITURES				
Current:				
General government	3,671,058	-	312,108	3,983,166
Public safety	10,031,449	-	2,022,611	12,054,060
Transportation	858,526	-	60,000	918,526
Environmental protection	1,338,779	-	-	1,338,779
Economic and physical development	782,618	-	311,015	1,093,633
Human services	9,022,777	-	-	9,022,777
Cultural and recreational	588,603	-	-	588,603
Intergovernmental:				
Education	8,244,907	-	-	8,244,907
Debt service:				
Principal	2,039,430	3,250,000	-	5,289,430
Interest	260,396	-	-	260,396
Total expenditures	36,838,543	3,250,000	2,705,734	42,794,277
Excess (deficiency) of revenues over expenditures	1,745,237	(3,135,299)	(179,109)	(1,569,171)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	383,561	17,663	401,224
Transfers to other funds	(405,818)	-	-	(405,818)
Total other financing sources (uses)	(405,818)	383,561	17,663	(4,594)
Net change in fund balances	1,339,419	(2,751,738)	(161,446)	(1,573,765)
Fund balances, beginning as previously reported	19,797,161	5,709,008	393,070	25,899,239
Prior period adjustment	(2,964)	-	2,921	(43)
Fund balances, beginning as restated	19,794,197	5,709,008	395,991	25,899,196
Fund balances, ending	\$ 21,133,616	\$ 2,957,270	\$ 234,545	\$ 24,325,431

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, 2017

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

Net changes in fund balances - total governmental funds	\$ (1,573,765)
Change in fund balance due to change in reserve for inventory	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the	
Capital outlay expenditures which were capitalized	1,664,379
Depreciation expense for governmental assets	(1,818,218)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(13,289)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	809,245
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	6,391
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Change in unavailable revenue for tax revenues	(62,994)
Change in accrued investment earnings	2,287
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	
Principal payments on long-term debt	5,289,430
Change in accrued interest payable	(55,750)
Change in landfill closure costs	(103,484)
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.	
Compensated absences	(49,505)
Pension expense	(1,159,562)
Other postemployment benefits	(142,515)
Total changes in net position of governmental activities	\$ 2,792,650

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

Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
REVENUES				
Ad valorem taxes	\$ 16,413,136	\$16,413,136	\$ 16,588,041	\$ 174,905
Local option sales tax	6,397,885	6,510,989	6,807,193	296,204
Other taxes and licenses	657,094	717,894	734,712	16,818
Unrestricted intergovernmental	1,275,000	1,289,100	1,519,091	229,991
Restricted intergovernmental	6,522,391	6,784,642	6,649,260	(135,382)
Permits and fees	1,908,924	1,908,924	1,995,668	86,744
Sales and services	4,298,104	4,361,934	4,096,970	(264,964)
Investment earnings	19,900	19,900	23,187	3,287
Miscellaneous	89,114	89,114	169,247	80,133
Total revenues	<u>37,581,548</u>	<u>38,095,633</u>	<u>38,583,369</u>	<u>487,736</u>
EXPENDITURES				
Current:				
General government	4,011,383	3,919,417	3,575,204	344,213
Public safety	10,376,835	10,810,612	10,031,449	779,163
Transportation	986,640	1,010,585	858,526	152,059
Environmental protection	1,388,189	1,435,389	1,338,779	96,610
Economic and physical development	658,416	819,051	782,618	36,433
Human services	9,340,925	9,822,421	9,022,777	799,644
Cultural and recreational	560,500	648,934	588,603	60,331
Education	7,687,393	8,619,185	8,244,907	374,278
Debt service:				
Principal retirement	1,981,099	2,039,432	2,039,430	2
Interest and fees	260,806	262,968	260,396	2,572
Total expenditures	<u>37,252,186</u>	<u>39,387,994</u>	<u>36,742,689</u>	<u>2,645,305</u>
Revenues over (under) expenditures	<u>329,362</u>	<u>(1,292,361)</u>	<u>1,840,680</u>	<u>3,133,041</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(460,062)	(480,819)	(480,818)	1
Total other financing sources (uses)	<u>(460,062)</u>	<u>(480,819)</u>	<u>(480,818)</u>	<u>1</u>
Fund balance appropriated	<u>130,700</u>	<u>1,773,180</u>	-	<u>(1,773,180)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	1,359,862	<u>\$ 1,359,862</u>
Fund balances, beginning as previously reported			19,359,832	
Prior period adjustment			<u>(2,964)</u>	
Fund balances, beginning as restated			<u>19,356,868</u>	
Fund balances, ending			<u>\$20,716,730</u>	
A legally budgeted Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			411	
Transfer in from General Fund			75,000	
Expenditures			(95,854)	
Fund balance, beginning			437,329	
Fund balance, ending (Exhibit 4)			<u>\$21,133,616</u>	

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

Cherokee County, North Carolina
Statement of Net Position - Proprietary Fund
Pool and Wellness Center
June 30, 2017

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 8,489
Restricted cash	35,235
Receivables, net	4,022
Total current assets	<u>47,746</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net of depreciation	2,489,806
Total capital assets	<u>2,489,806</u>
Total noncurrent assets	<u>2,489,806</u>
Total assets	<u>2,537,552</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	35,432
Total deferred outflows of resources	<u>35,432</u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,510
Accrued wages	6,480
Due to other funds	13,042
Liabilities to be paid from restricted assets	35,235
Total current liabilities	<u>56,267</u>
Noncurrent liabilities:	
Compensated absences	2,334
Net pension liability	41,605
Total noncurrent liabilities	<u>43,939</u>
Total liabilities	<u>100,206</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	1,982
Total deferred inflows of resources	<u>1,982</u>
NET POSITION	
Net investment in capital assets	2,489,806
Unrestricted	<u>(19,010)</u>
Total net position	<u>\$ 2,470,796</u>

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

Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Net Position - Proprietary Fund
Pool and Wellness Center
For the Year Ended June 30, 2017

OPERATING REVENUES

Membership & fees	\$ 325,257
Miscellaneous	4,891
Total operating revenues	<u>330,148</u>

OPERATING EXPENSES

Salaries & employee benefits	245,701
Supplies	13,199
Travel	1,444
Utilities	73,799
Advertising	487
Maintenance	14,244
Other	37,586
Depreciation	95,630
Total operating expenses	<u>482,090</u>
Operating income (loss)	(151,942)

NONOPERATING REVENUES (EXPENSES)

Interest revenue	<u>14</u>
Total nonoperating revenues (expenses)	<u>14</u>
Income (loss) before contributions and transfers	(151,928)
Capital contributions	45,753
Transfers from other funds	4,594
Change in net position	<u>(101,581)</u>
Total net position, beginning	<u>2,572,377</u>
Total net position, ending	<u><u>\$ 2,470,796</u></u>

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

Cherokee County, North Carolina
Statement of Cash Flows - Proprietary Fund
Pool and Wellness Center
For The Fiscal Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 326,865
Cash paid for goods and services	(146,393)
Cash paid to employees for services	(240,134)
Customer deposits received	10,176
Other operating revenue	4,891
Net cash used by operating activities	<u>(44,595)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Decrease in amount due to General Fund	(33,217)
Transfers from other funds	4,594
Net cash provided (used) by noncapital financing activities	<u>(28,623)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital contributions	45,753
Net cash provided (used) by capital and related financing activities	<u>45,753</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and dividends received	14
Net cash provided (used) by investing activities	<u>14</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS: (27,451)

Cash and cash equivalents, beginning	71,175
Cash and cash equivalents, ending	<u>\$ 43,724</u>

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

Operating income (loss)	<u>(151,942)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	95,630
Changes in assets, liabilities, and deferred outflows and inflows of resources:	
Decrease (increase) in accounts receivable	1,608
Decrease (increase) in deferred outflows of resources for pensions	(29,787)
Increase (decrease) in accounts payable	(5,615)
Increase (decrease) in customer deposits	10,176
Increase (decrease) in compensated absences payable	1,116
Increase (decrease) in net pension liability	35,822
Increase (decrease) in deferred inflows of resources for pensions	(1,603)
Total adjustments	<u>107,347</u>
Net cash provided (used) by operating activities	<u>\$ (44,595)</u>

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

Cherokee County, North Carolina
Statement of Fiduciary Net Position
For The Fiscal Year Ended June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 174,915
LIABILITIES AND NET POSITION	
Liabilities:	
Miscellaneous liabilities	163,956
Intergovernmental payables - State of North Carolina	10,959
Total liabilities	174,915
Net position	\$ -

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

**Cherokee County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2017**

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Notes to the Financial Statements
For the Year Ended June 30, 2017**

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Cherokee County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2017

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 were a proprietary fund (discrete presentation). Complete financial statements for the Authority may be obtained from the entity's administrative offices at 75 Peachtree Street, Suite 211, Murphy, NC 28906.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government net position (the County) 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. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the County and 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, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary Fund: Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating items such as investment earnings are ancillary activities.

The County reports the following major governmental funds:

General Fund – This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, it is consolidated in the General Fund.

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

The County reports the following major enterprise fund:

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

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

Agency Funds: Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds:

Detention Center Trust Fund – which accounts for funds collected by the sheriff as an agent and for funds held for prisoners of the county detention facility.

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

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

Fines and Forfeitures Fund – which accounts for various legal fines and forfeitures that the County is required to remit to Cherokee County Board of Education; and the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles.

Municipal Tax Fund – which accounts for funds that are billed and collected by the County for various municipalities and special districts within the County but that are not revenues to the County.

The County reports the following non-major governmental funds:

Special Revenue Funds:

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

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

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

Housing Preservation Grant Fund – This fund is established to account for the grant to repair or rehabilitate low and very low-income housing.

Capital Project Funds:

School Improvement Fund – This fund is used to account for the construction of new school facilities. For the fiscal year ended June 30, 2017, the fund had no financial transactions or account balances to report.

Snap-On Tools Water Infrastructure Improvements and Fiber Optic Expansion Project – This fund is used to account for the installation of approximately 2,200 linear feet of twelve-inch (12") waterline and necessary appurtenances. In addition, this project will include the installation of approximately 6,000 feet of fiber optic line.

Health Department Renovation and Expansion Capital Project – This fund is used to account for the renovations, expansion and the purchase of a mobile unit for the Andrews Health Center. For the fiscal year ended June 30, 2017, the fund had no financial transactions or account balances to report.

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

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

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

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

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

C. Budgetary Data

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

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

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

1. Deposits and Investments

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

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

The majority of the County and the Tourism Development Authority's investments are carried at fair value. Non-participating interest earning contracts are accounted for at cost. The NC Capital Management Trust Government Portfolio, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

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

Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. Money in the Scattered Sites Housing Fund and the Health Department Renovation and Expansion Capital Project Fund is also classified as restricted assets because its use is restricted by revenue source for specific expenditures (i.e., economic and physical development and human services).

Cherokee County Restricted Cash

Governmental Activities			
General Fund	Tax revaluation	\$	418,593
Debt Service Fund	Unexpended funds for QZAB		1,493
Housing Preservation Grant Fund	Unexpended grant proceeds		108
Total Governmental Activities			420,194
Business-Type Activities			
Pool and Wellness Center	Unearned membership fees		35,235
Total Business-Type Activities			35,235
Total Restricted Cash			\$ 455,429

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, 2016. 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. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

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

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets 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.

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

	<u>Years</u>
Buildings	50
Improvements	10 - 25
Furniture and equipment	10
Software	4
Vehicles	4
Computer & electronic equipment	4

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

	<u>Years</u>
Buildings	50
Furniture and fixtures	7
Equipment	5
Vehicles	5

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meets this criterion - a charge on refunding that had previously been classified as an asset, pension related deferrals, and contributions made to the pension plan 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 only two items that meets the criterion for this category - prepaid taxes, and pension related deferrals.

9. Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statements of net position.

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

10. Compensated Absences

The vacation policies of the County provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary fund, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policy of the County provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County does not have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through State statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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

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.

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

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

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

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

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

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

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

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

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

Committed for Landfill - portion of fund balance that can only be used for the following future landfill expenditures: landfill cell development, landfill compactor, and dozer repair at the landfill.

Committed for EMS Station 1 - portion of fund balance that can only be used for future EMS Station 1 expenditures.

Committed for general government - capital outlay - portion of fund balance that can only be used for the following future capital outlay expenditures: repair to the courthouse dome/lantern and general building repairs and maintenance.

Committed for cultural and recreational - capital outlay - portion of fund balance that can only be used for rec park video surveillance expenditures.

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

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

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

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

12. Defined Benefit Pension 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), and 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 are reported at fair value.

13. 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 \$17,940,245 consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities)	\$ 57,736,836
Less accumulated depreciation	<u>(20,617,962)</u>
Net capital assets	37,118,874
Net pension asset	71,484
Contributions to the pension plan in the current fiscal year	809,245
Benefit payments and pension administration costs for LEOSSA	6,391
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	56,900
Deferred inflows of resources for taxes and special assessments receivable	439,291
Pension related deferrals	2,512,326
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(13,184,865)
Compensated absences	(659,418)
Other postemployment benefits	(1,366,718)
Landfill closure costs	(3,209,591)
Pension benefit obligation	(367,600)
Net pension liability	(4,119,020)
Accrued interest payable	<u>(167,054)</u>
Total adjustment	<u>\$ 17,940,245</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 \$4,366,415 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,664,379
Depreciation expense, the allocation of those assets over their useful lives that is recorded on the statement of activities, but not in the fund statements	(1,818,218)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(13,289)
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	5,289,430
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	809,245
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	6,391
Change in the current fiscal year landfill closure cost is not included on the Statement of Activities	(103,484)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	(55,750)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(49,505)
Other postemployment benefits	(142,515)
County's portion of collective pension expense	(1,159,562)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Change in accrued investment earnings	2,287
Change in deferred inflows of resources - taxes receivable - at end of year	(60,119)
Change in accrued taxes receivable at end of year	(2,875)
Total adjustment	<u><u>\$4,366,415</u></u>

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None Noted.

2. Contractual Violations

None Noted.

B. Deficit Fund Balance or Net Position of Individual Funds

None Noted.

C. Excess of Expenditures over Appropriations

In accordance with budgetary control procedures outlined in G.S. 159-28, expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. At June 30, 2017, expenditures made in the County's Fire District Fund exceeded the authorized appropriations made by the governing board by \$11,961. Management will continue to monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations.

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

The deposits of the County and the Cherokee County Tourism Development Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's and the Authority's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and the Authority, these deposits are considered to be held by their agent in the 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 and the Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2017, the County's deposits had a carrying amount of \$20,114,317, a bank balance of \$20,422,108. Of the bank balance, \$311,748 was covered by federal depository insurance, and \$20,110,361 in deposits was covered by collateral held under the Pooling Method.

At June 30, 2017, Cherokee County had \$2,175 cash on hand.

Also, at June 30, 2017, the deposits of the Tourism Development Authority, a component unit of the County, had a carrying value of \$207,848 and a bank balance of \$204,474, all of which was covered by federal depository insurance.

2. Investments

As of June 30, 2017, the County had the following investments and maturities:

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 Months
US Government Agencies	Fair Value - Level 2	\$2,955,106	\$2,995,000
NC Capital Management Trust:			
Government Portfolio	Amortized Cost	387,813	N/A
Total:		<u>\$3,342,919</u>	<u>\$2,995,000</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: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level Two debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to 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). As of June 30, 2017, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2017. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended. The County's investments in US Agencies (Federal Home Loan Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's \$2,955,106 investment in US Government Agencies (Federal Home Loan Bank) are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the County's name. The County had no policy on custodial credit risk.

Concentration of Credit Risk. The County places no limit on the amount that the County may invest in any one issuer. More than 5% of the County's investments are in a Federal Home Loan Bank discount note. This investment is 88.40% of the County's total investments.

3. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
2013	\$ 873,241	\$ 213,944	\$ 1,087,185
2014	887,270	137,527	1,024,797
2015	875,544	56,910	932,454
2016	1,049,022	-	1,049,022
Total	<u>\$ 3,685,077</u>	<u>\$ 408,381</u>	<u>\$ 4,093,458</u>

4. Receivables

Receivables at the government-wide level at June 30, 2017, were as follows:

	Accounts Receivable	Taxes Receivable	Accrued Interest	Special Assessments	Total
Governmental Activities:					
General	\$ 3,422,434	\$ 819,069	\$ 56,900	\$ -	\$ 4,298,403
Other governmental	419,858	78,369	-	-	498,227
Total receivables	3,842,292	897,438	56,900	-	4,796,630
Allowance for doubtful accounts	(54,174)	(458,147)	-	-	(512,321)
Total-governmental activities	<u>\$ 3,788,118</u>	<u>\$ 439,291</u>	<u>\$ 56,900</u>	<u>\$ -</u>	<u>\$ 4,284,309</u>
Business-type Activities:					
Pool and Wellness Center	\$ 4,022	\$ -	\$ -	\$ -	\$ 4,022
Total-business-type activities	<u>\$ 4,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,022</u>

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

Local government sales and use taxes	<u>\$ 147,227</u>
Total	<u>\$ 147,227</u>

5. Capital Assets

Primary Government

Capital assets activity for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Governmental Activities:					
Capital assets not being depreciated					
Land	\$ 6,756,632	\$ -	\$ -	\$ -	\$ 6,756,632
Construction in progress	4,010	129,564	-	4,010	129,564
Total capital assets not being depreciated	6,760,642	129,564	-	4,010	6,886,196
Capital assets being depreciated					
Land improvements	60,453	23,100	-	-	83,553
Buildings	26,336,964	27,806	-	77,325	26,287,445
Other improvements	14,873,560	153,900	-	-	15,027,460
Equipment	1,964,566	334,116	-	-	2,298,682
Software	528,474	-	-	-	528,474
Computers & electronic equipment	1,316,229	478,441	-	6,864	1,787,806
Vehicles & motorized equipment	4,752,830	517,452	-	433,062	4,837,220
Total capital assets being depreciated	49,833,076	1,534,815	-	517,251	50,850,640
Less accumulated depreciation for:					
Land Improvements	9,121	3,889	-	-	13,010
Buildings	5,940,027	512,480	-	68,046	6,384,461
Other improvements	6,906,136	495,180	-	-	7,401,316
Equipment	1,272,066	164,285	-	-	1,436,351
Software	528,474	-	-	-	528,474
Computers & other electronic equipment	1,201,293	108,421	-	6,864	1,302,850
Vehicles & motorized equipment	3,450,599	533,963	-	433,062	3,551,500
Total accumulated depreciation	19,307,716	1,818,218	-	507,972	20,617,962
Total capital assets being depreciated, net	<u>30,525,360</u>				<u>30,232,678</u>
Governmental activities capital assets, net	<u>\$ 37,286,002</u>				<u>\$ 37,118,874</u>

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

General government	\$ 278,270
Public safety	684,713
Transportation	487,452
Economic and physical development	27,787
Human services	106,337
Environmental protection	210,551
Cultural and recreational	23,108
Total depreciation expense	<u>\$ 1,818,218</u>

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Business-type activities:					
Capital assets being depreciated					
Buildings	\$ 3,087,019	\$ -	\$ -	\$ -	\$ 3,087,019
Other improvements	270,231	-	-	-	270,231
Equipment	119,618	-	-	-	119,618
Total capital assets being depreciated	<u>3,476,868</u>	-	-	-	<u>3,476,868</u>
Less accumulated depreciation for:					
Buildings	558,330	61,740	-	-	620,070
Other improvements	223,135	26,567	-	-	249,702
Equipment	109,967	7,323	-	-	117,290
Total accumulated depreciation	<u>891,432</u>	<u>95,630</u>	-	-	<u>987,062</u>
Total capital assets being depreciated, net	<u>2,585,436</u>				<u>2,489,806</u>
Business-type capital assets, net	<u>\$ 2,585,436</u>				<u>\$ 2,489,806</u>

Construction commitments

The County has the following active construction commitments with contractors at June 30, 2017:

Project	Spent-to-date	Remaining Commitment
Water Line & Fiber Optic Extension	\$ 353,963	\$ 87,765
Airport Improvement Project	169,304	116,626
Total	<u>\$ 523,267</u>	<u>\$ 204,391</u>

Discretely presented component unit

Activity for the Cherokee County Tourism Development Authority for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Capital assets being depreciated					
Buildings	\$ 162,551	\$ -	\$ -	\$ -	\$ 162,551
Total capital assets being depreciated	<u>162,551</u>	-	-	-	<u>162,551</u>
Less accumulated depreciation for:					
Buildings	1,084	3,251	-	-	4,335
Total accumulated depreciation	<u>1,084</u>	<u>3,251</u>	-	-	<u>4,335</u>
Total capital assets being depreciated, net	<u>161,467</u>				<u>158,216</u>
Component unit capital assets, net	<u>\$ 161,467</u>				<u>\$ 158,216</u>

B. Liabilities**1. Payables**

Payables at the government-wide level at June 30, 2017, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 663,284	\$ 1,871,908	\$ 2,535,192
Other governmental	113,263	-	113,263
Total governmental activities	<u>\$ 776,547</u>	<u>\$ 1,871,908</u>	<u>\$ 2,648,455</u>
Business-type Activities:			
Pool and Wellness Center	\$ 1,351	\$ 6,639	\$ 7,990
Total business-type activities	<u>\$ 1,351</u>	<u>\$ 6,639</u>	<u>\$ 7,990</u>

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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, 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, 2017, was 8.00% of compensation for law enforcement officers and 7.25% for general employees and firefighters, 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 \$814,234 for the year ended June 30, 2017.

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, 2017, the County reported a liability of \$4,160,625 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the County's proportion was .196%, which was an increase of .175% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$1,123,555. At June 30, 2017, 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	\$ 78,171	\$ 145,793
Changes of assumptions	284,966	-
Net difference between projected and actual earnings on pension plan investments	2,300,302	-
Changes in proportion and differences between County contributions and proportionate share of contributions	65,513	52,440
County contributions subsequent to the measurement date	814,234	-
Total	<u>\$ 3,543,186</u>	<u>\$ 198,233</u>

\$814,234 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 373,153
2019	373,733
2020	1,109,101
2021	674,732
2022	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 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 actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2016 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%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. 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 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
County's proportionate share of the net pension liability (asset)	\$ 9,875,105	\$ 4,160,626	\$ (612,533)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) 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, 2015, the Separation Allowance's membership consisted of:

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

Costs were determined using the Entry Age Normal Actuarial cost method in the December 31, 2015 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate used to measure the TPL is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

Mortality rates are based on the RP-2014 Mortality tables base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

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 \$6,391 as benefits came due for the reporting period.

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

At June 30, 2017, the County reported a total pension liability of \$367,600. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$44,825.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	9,031
County benefit payments and plan administrative expense made subsequent to the measurement date	6,391	-
Total	<u>\$ 6,391</u>	<u>\$ 9,031</u>

\$6,391 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 pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ (1,584)
2019	(1,584)
2020	(1,584)
2021	(1,584)
2022	(1,584)
Thereafter	(1,111)

\$6,391 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

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 3.86 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 (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total Pension Liability	\$ 405,437	\$ 367,600	\$ 333,173

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

Total pension liability as of December 31, 2015	\$ 338,197
Changes for the year:	
Service Cost	34,449
Interest on the total pension liability	11,960
Change of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(10,615)
Benefit payments	(6,391)
Other changes	-
Net changes	<u>29,403</u>
Total pension liability as of December 31, 2016	<u>\$ 367,600</u>

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.

Since the December 31, 2014, prior valuation date, the Discount Rate has changed from 3.57% to 3.86% due to a change in the Municipal Bond Rate.

c. Supplement Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

The County contributed \$67,904 for the year ended June 30, 2017. 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. ROSPF 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, 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 \$3,153 for the year ended June 30, 2017.

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

At June 30, 2017, the County reported an asset of \$71,484 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the County's proportion was 0.382%, which was a decrease of .002% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$3,756. At June 30, 2017, 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	\$ 76	\$ 925
Changes of assumptions	19,045	
Net difference between projected and actual earnings on pension plan investments	122	-
County contributions and proportionate share of contributions	62	-
County contributions subsequent to the measurement date	3,153	2,434
Total	<u>\$ 22,458</u>	<u>\$ 3,359</u>

\$3,153 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 5,876
2019	7,597
2020	3,269
2021	(796)
2022	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 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 actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2016 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. 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 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 5.75%. 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 5.75 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 (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$ (57,639)	\$ (71,484)	\$ (83,115)

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

e. 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). As of December 4, 2006, this plan provides postemployment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least 30 years of creditable service with the County. 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. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. 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, 2016, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	5	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	251	27
Total	<u>256</u>	<u>27</u>

Funding Policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the Board of Commissioners. The retiree may continue dependent coverage (by paying the employee cost for this coverage) if the dependent was enrolled as a dependent for a minimum of five (5) years prior to retirement. The County's members pay \$530 per month for dependent coverage. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current annual required contribution (ARC) rate is 1.66% of annual covered payroll. For the current year, the County contributed \$23,790 or .24% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions, under a County resolution, for employees not engaged in law enforcement and for law enforcement officers represented .24% and 0% of covered payroll, respectively. The County's contributions totaled \$23,790 in fiscal year 2017. The County's obligation to contribute to HCB Plan is established and may be amended by the Board of Commissioners.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution	\$ 164,117
Interest on net OPEB obligation	48,968
Adjustment to annual required contribution	<u>(46,780)</u>
Annual OPEB cost (expense)	166,305
Contributions made	<u>(23,790)</u>
Increase (decrease) in net OPEB obligation	142,515
Net OPEB obligation, beginning of year	<u>1,224,203</u>
Net OPEB obligation, end of year	<u><u>\$ 1,366,718</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2017 were as follows:

3 Year Trend Information			
For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 173,268	31.50%	\$1,117,425
2016	\$ 161,334	33.80%	\$1,224,203
2017	\$ 166,305	14.31%	\$1,366,718

Funded Status and Funding Progress. As of June 30, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and thus the unfunded actuarial accrued liability (UAAL) was \$1,587,722. The covered payroll (annual payroll of active employees covered by the plan) was \$9,903,685, and the ratio of UAAL to the covered payroll was 18.7 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumption about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to the continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75% to 5% annually. The investment rate included a 3% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was 30 years.

f. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

The County also provides a \$15,000 death benefit to full time employees. For the fiscal year ended June 30, 2017, the County made contributions for death benefits of \$6,543.

g. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

3. Closure and Postclosure Care Costs - Cherokee County Landfill Facility

State and federal laws and regulations require the County to place a final cover on its Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3,209,591 reported as landfill closure and postclosure care liability at June 30, 2017 represents a cumulative amount reported to-date based on the use of 91.74 percent of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$220,918 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2017. 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
Pensions - difference between expected and actual experience	\$ 78,247	\$ 146,718
Pensions - difference between projected and actual investment earnings	2,300,424	-
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	65,575	52,440
Pensions - change in assumptions	304,011	9,031
Contributions to pension plan subsequent to measurement date	817,387	2,434
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA)	6,391	-
Prepaid taxes not yet earned (General)	-	239,868
Taxes receivable, net (General), less penalties	-	360,922
Taxes receivable, net (Special Revenue)	-	78,369
Total	<u>\$ 3,572,035</u>	<u>\$ 889,782</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 Risk Management Agency.

Through these pools, the County obtains property coverage equal to the replacement cost of owned property subject to a blanket limit of \$54,237,400, with sub-limits on coverage for specific 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.

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 \$60,000 and aggregate annual losses in excess of \$2,147,709.

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. The Director of Finance and the Tax Collector are individually bonded for \$100,000. The Register of Deeds is bonded for \$10,000. The Sheriff is bonded for \$25,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000. Individuals holding positions requiring statutory bonds are covered elsewhere.

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

The County does carry flood insurance through its Real & Personal property policy.

Discretely presented component unit*Cherokee County Tourism Development Authority*

In accordance with G.S. 159-29, the Director of Finance 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 Finance Director that names the County as obligee.

6. Contingent Liabilities

At June 30, 2017, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

7. Long-Term Obligations**a. Capital Leases**

The County has entered into a lease agreement with Stryker Flex Financial for the acquisition of one stretcher. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of the inception of the lease. Under the terms of the lease agreement, title passes to the County at the end of the lease term.

At June 30, 2017, the County leased equipment valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Power-PRO XT Stretcher	\$ 13,714	\$ 2,057	\$ 11,657

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, are as follows:

Year ending June 30,	
2018	\$ 3,649
2019	3,649
2020	3,649
Total minimum lease payments	10,947
Less: amount representing interest	1,123
Present value of the minimum lease payments	<u>\$ 9,824</u>

b. Installment Purchases

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

Governmental ActivitiesServiced by the County's General Fund

On July 16, 2004, the County entered into a \$3,500,000 QZAB installment purchase with Bank of America through US Bank National Association for school improvements. The installment purchase requires 1 payment of \$3,500,000, on July 16, 2018, including interest at 0%.	\$ 3,500,000
On November 30, 2005, the County entered into a \$565,507 installment purchase with NC DENR for water improvements. The installment purchase requires 30 annual principal payments of \$28,275, plus interest at 2.205%. The installment purchase matures in May 1, 2026.	254,478
On March 10, 2006, the County entered a \$450,000 installment purchase with Branch Banking Trust Company for school improvements. The installment purchase requires 15 annual principal payments of \$30,000, plus interest at 4.03%. The installment purchase matures in March 10, 2021.	120,000
On September 19, 2008, the County entered into a \$1,800,000 installment purchase with Regions Bank for school improvements. The installment purchase requires 30 semi-annual payments of \$60,000, plus interest at 3.79%. The installment purchase matures in September 19, 2023.	780,000
On August 14, 2008, the County entered into a \$1,371,355 QZAB installment purchase with Rocky Mountain Bank through Heartland Financial USA, Inc. for school improvements. The installment purchase requires 14 annual payments of \$97,954, including interest at 0%. The installment purchase matures in August 14, 2022.	587,723

On December 28, 2010, the County entered into a \$8,158,780 installment purchase with Branch Banking & Trust Company for renovations and additions to the Courthouse. The installment purchase requires 11 annual payments of \$761,486, plus interest at 2.39%. The installment purchase matures in December 28, 2021.	3,807,431
On December 28, 2010, the County entered into a \$1,216,000 installment purchase with Branch Banking & Trust Company for the acquisition of the Department of Social Services Building. The installment purchase requires 15 annual principal payments of \$81,066, plus interest at 5.50%. The installment purchase matures in December 28, 2025.	729,604
On December 28, 2010, the County entered into a \$184,000 installment purchase with Branch Banking & Trust Company for the acquisition of the Department of Social Services Building. The installment purchase requires 15 annual principal payments of \$12,266, plus interest at 5.50%. The installment purchase matures in December 28, 2025.	110,404
On December 21, 2010, the County entered into a \$1,282,886 installment purchase with Bank of America, N.A. for the Andrews High School Renovation. The installment purchase requires 30 semi-annual payments of \$42,763, plus interest at 5.67%. The installment purchase matures in December 21, 2025. This is a Qualified School Construction Bond and interest paid is refundable.	726,968
On April 10, 2012, the County entered into an installment purchase with PNC Bank, National Association for \$5,700,000 to refinance the purchase of the Detention Center and Sheriff's Office. The installment purchase requires 18 semi-annual principal payments of \$316,667, plus interest at 1.99%. The installment purchase matures on April 10, 2021.	2,533,333
On July 1, 2015, the County entered into a \$60,368 installment purchase with Stryker Flex Financial for the acquisition of five stretchers for EMS Services. The installment purchase requires five annual payments of \$13,850, including interest at 5.423%. The installment purchase matures August 2, 2018.	25,100
	<u>\$ 13,175,041</u>

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2018	\$ 1,862,125	\$ 268,243
2019	5,362,788	215,516
2020	1,849,907	168,151
2021	1,849,907	121,487
2022	1,186,574	77,973
2023-2027	1,063,740	138,418
Total	<u>\$ 13,175,041</u>	<u>\$ 989,788</u>

Debt Related to Capital Activities - Of the total Governmental Activities debt listed only \$7,460,350 relates to assets the County holds title. There is no unspent restricted cash related to this debt at June 30, 2017.

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, 2017:

	Beginning			Ending	Current
	Balance	Increases	Decreases	Balance	Portion of
					Balance
Government Activities:					
Installment notes payable	\$ 18,461,538	\$ -	\$ 5,286,497	\$ 13,175,041	\$ 1,862,125
Capital leases	12,757	-	2,933	9,824	3,649
Landfill closure costs	3,106,107	103,484	-	3,209,591	-
Other post employment benefits	1,224,203	166,305	23,790	1,366,718	-
Compensated absences	609,913	403,777	354,272	659,418	354,000
Net pension liability (LGRS)	780,998	4,119,020	780,998	4,119,020	-
Net pension obligation (LEOSSA)	268,271	99,329	-	367,600	-
Total Government activities	<u>\$ 24,463,787</u>	<u>\$ 4,891,915</u>	<u>\$ 6,448,490</u>	<u>\$ 22,907,212</u>	<u>\$ 2,219,774</u>
Business-type activities:					
Compensated absences	\$ 1,218	\$ 1,116	\$ -	\$ 2,334	\$ -
Net pension liability (LGRS)	5,783	35,822	-	41,605	-
Total business-type activities	<u>\$ 7,001</u>	<u>\$ 36,938</u>	<u>\$ -</u>	<u>\$ 43,939</u>	<u>\$ -</u>

Compensated absences typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

No interest was capitalized during 2017; interest incurred and charged to expense totaled \$260,396.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2017, consist of the following:

Due to the General Fund from:		
Snap-On Tools Water Infrastructure Improvements and Fiber Optic Expansion Project	\$	329,292
Pool and Wellness Center		13,042
		<u>\$ 342,334</u>

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

Transfers to/from other funds at June 30, 2017, consist of the following:

From the General Fund to the Debt Service fund to accumulate to retire QZAB debt	\$	383,561
From the General fund to the Airport Improvement Fund to accumulate resources for the construction of airport improvements		17,663
From the General Fund to the Revaluation Fund to provide resources for the next property revaluation		75,000
From the General Fund to the Pool and Wellness Fund		4,594
Total	\$	<u>480,818</u>

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

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 37,118,874	\$ 2,489,806
Less: gross long-term debt	(13,175,041)	-
Add: school debt for assets to which the county does not hold title	5,714,691	-
Net investment in capital assets	<u>\$ 29,658,524</u>	<u>\$ 2,489,806</u>

E. Fund Balance

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

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

Total Fund Balance - General Fund	\$ 21,133,616
Less:	
Inventories	19,935
Prepaid items	4,660
Stabilization by State Statute	3,857,821
School Capital	674,523
Tax Revaluation	418,593
School capital outlay	1,620,367
Law enforcement	85,650
Landfill	3,138,798
EMS Station 1	500,000
General government - capital outlay	670,798
Cultural and recreational - capital outlay	10,000
Appropriated Fund Balance in 2018 budget	127,000
Working Capital/ Fund Balance Policy	10,005,471
Remaining Fund Balance	-

Cherokee County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to greater than 8% of budgeted expenditures.

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

<i>Encumbrances</i>	<i>General Fund</i>	<i>Non-Major Funds</i>
	\$ -	\$ -

F. Prior Period Adjustment

During the fiscal year ended June 30, 2017, the County determined that certain transactions were recorded incorrectly in the prior year.

Fund Balance: The fund balance of the Emergency Telephone System Fund was understated at June 30, 2016 in the amount of \$2,921 due to expenditures that were deemed ineligible for reimbursement. The understatement in the Emergency Telephone System Fund contributed to a corresponding understatement of expenditures in the General Fund of \$2,921. In addition, due to the discovery of \$43 of unspent grant funds, the payable to the JCPC was inadvertently not recorded. These two items combined resulted in a \$2,964 overstatement of General Fund Balance.

Emergency Telephone System Fund balance, beginning as previously reported	\$ 392,961
Ineligible expenditures made in the prior fiscal year	2,921
Net prior period adjustment	<u>2,921</u>
Emergency Telephone System Fund balance, beginning as restated	<u>\$ 395,882</u>
General Fund balance, beginning as previously reported	\$ 19,359,832
Adjustment for Emergency Telephone System Fund	(2,921)
Unspent grant funds payable to grantor - JCPC	<u>(43)</u>
Net prior period adjustment	<u>(2,964)</u>
General Fund balance, beginning as restated	<u>\$ 19,356,868</u>

Governmental Activities: Due to the implementation of Governmental Accounting Standards Board (GASB) No. Statement 73, as described in Note IX, net position for the governmental activities decreased \$63,534. The restatement to record the total pension liability and the aforementioned fund balance adjustment of \$43 in unspent grant funds payable which resulted in an overstatement of Net Position.

Governmental Activities Net position, beginning as previously reported	\$ 39,536,603
Fund balance restatement - unspent grant funds payable to grantor - JCPC	(43)
Implementation of GASB 73	<u>(63,534)</u>
Net prior period adjustment	<u>(63,577)</u>
Governmental Activities Net position, beginning as restated	<u>\$ 39,473,026</u>

IV. Joint Ventures

1. Nantahala Regional Library - The County participates in a joint venture to operate the Nantahala Regional Library with six other local governments. The three participating counties may each appoint three board members to the nine-member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating government's continued funding. None of the participating governments has any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2017. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$183,045 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's office at 11 Blumenthal Street, Murphy, NC 28906.

V. Jointly Governed Organizations

The County, in conjunction with seven other counties and sixteen municipalities, established the Southwestern Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$18,059 to the Commission during the fiscal year ended June 30, 2017. The County was the sub recipient of a grant for \$292,920 from the Division of Aging of the North Carolina Department of Human Resources, which was passed through the Commission.

The County, in conjunction with seven other counties, established Vaya Health, formerly Smoky Mountain Mental Health Center. The participating governments established Vaya Health to provide mental health services to the western region of North Carolina. The County designates a commissioner they wish to serve on the County Commissioner Advisory Board of Vaya Health. The County Commissioner Advisory Board serves solely in an advisory capacity and does not have authority over budgeting, personnel matters, governance or policy making. The County contributed \$75,000 to Vaya Health during the fiscal year ended June 30, 2017.

VI. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Temporary assistance for needy families	\$ 109,699	\$ -
Medicaid	30,272,605	16,353,610
WIC	561,579	-
Food stamp program	5,903,582	-
Payments to elderly and disabled	-	226,110
Adoption assistance	324,762	81,549
Energy assistance	109,600	-
Title IV-E, foster care	52,343	13,831
Total	<u>\$ 37,334,170</u>	<u>\$ 16,675,100</u>

VII. Summary Disclosure of Significant Commitments and Contingencies**Federal and State Assisted Programs**

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

VIII. Significant Effects of Subsequent Events

Cherokee County has evaluated events and transactions that occurred between June 30, 2017 and December 4, 2017, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

- A. Subsequent to year end, Cherokee County purchased property from Cherokee Well Drilling in the amount of \$495,500 for the relocation of EMS Station 1 and Emergency Services.
- B. On September 18, 2017, the County sold property located at 402 Hill Street to the Murphy Power Board for \$196,802.
- C. On September 18, 2017, the County entered into Agreement with the Eastern Band of Cherokee Indians to provide EMS services for 2 years at a fee of \$75,000/year for 60 EMS calls (cost of \$1,250 per call after 60).

IX. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for the governmental activities decreased \$63,534.

X. New Accounting Pronouncements***Pronouncements effective for the 2017 Financial Statements:***

In June 2015, the GASB issued, GASB Statement No.73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees not within the scope of Statement 68. Requirements are also established for the assets accumulated for the purposes of providing pensions through defined benefit pension plans that are not administered through trusts that meet the criteria within the scope of Statement 67. The implementation of this pronouncement did require modification of the financial statements as described in Note IX.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes financial reporting standards for Other Post-Employment Plans (OPEB) that is administered through trusts or equivalent arrangements which involve contributions from employers and nonemployer contributing entities to the OPEB plan. This pronouncement did not impact the County.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires state and local governments to disclose tax abatement agreements entered by other governments and that reduce the reporting government's tax revenues. The reduction in tax revenues can result from an agreement between one or more governments and an individual entity in which one or more governments promise to forgo tax revenues to which they are otherwise entitled. The individual or entity promises to take specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. This pronouncement did not impact the County.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*. This Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not for-profit corporation in which the primary government is the sole corporate member. This pronouncement did not impact the County.

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 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This Statement establishes accounting and financial reporting standards for Other Post-Employment Plans (OPEB) that is administered through trusts or equivalent arrangements which involve contributions from employers and nonemployer contributing entities to the OPEB plan. This Statement is effective for financial statements with fiscal years beginning after June 15, 2017.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Governments receiving resources pursuant to an irrevocable split-interest agreement is to recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations and sets the guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses issues related to blending component units, goodwill, fair value measurement and application, pensions, and other post-employment benefits (OPEB). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

Other Postemployment Benefits

- Schedule of Funding Progress and Employer Contributions

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

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2012	\$ -	\$ 1,675,909	\$ 1,675,909	0.00%	\$ 8,842,895	19.00%
12/31/2014	-	1,625,571	1,625,571	0.00%	8,685,031	18.70%
6/30/2016	-	1,587,722	1,587,722	0.00%	9,903,685	16.00%

Schedule of Employer Contributions

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2015	173,268	31.5%
2016	161,334	33.8%
2017	166,305	14.3%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	June 30, 2016
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	7.75% - 5.00%
Year of ultimate trend rate	2022
*Includes inflation at	3.00%

The assumed investment rate of return reflects the fact that no assets are set aside within Cherokee County that are legally held exclusively for retiree health benefits.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.1960%	0.1753%	0.1750%	0.1878%
County's proportionate share of the net pension liability (asset) \$	\$ 4,160,625	\$ 786,781	\$ (1,031,997)	\$ 2,263,711
County's covered-employee payroll	\$ 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	37.12%	7.75%	(10.26%)	22.24%
Plan fiduciary net position as a percentage of the total pension liability **	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 Four Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 814,234	\$ 763,586	\$ 719,701	\$ 713,599
Contributions in relation to the contractually required contribution	<u>814,234</u>	<u>763,586</u>	<u>719,701</u>	<u>713,599</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 10,989,470	\$ 11,208,552	\$ 10,145,989	\$ 10,061,351
Contributions as a percentage of covered-employee payroll	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 Four Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.3823%	0.3797%	0.3564%	0.3611%
County's proportionate share of the net pension liability (asset) \$	\$ (71,484)	\$ (87,985)	\$ (80,793)	\$ (77,129)
County's covered-employee payroll	\$ 47,507	\$ 44,799	\$ 44,033	\$ 44,000
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(150.47%)	(196.40%)	(183.48%)	(175.29%)
Plan fiduciary net position as a percentage of the total pension liability **	197.29%	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 Four Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,153	\$ 3,124	\$ 3,038	\$ 2,910
Contributions in relation to the contractually required contribution	<u>3,153</u>	<u>3,124</u>	<u>3,038</u>	<u>2,910</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 46,731	\$ 47,507	\$ 44,799	\$ 44,033
Contributions as a percentage of covered-employee payroll	6.75%	6.58%	6.78%	6.61%

Cherokee County, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2017

	2017
Beginning balance	\$ 338,197
Service Cost	34,449
Interest on the total pension liability	11,960
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(10,615)
Benefit payments	(6,391)
Other changes	-
Ending balance of the total pension liability	\$ 367,600

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, 2017

	<u>2017</u>
Total pension liability	\$ 367,600
Covered payroll	1,521,291
Total pension liability as a percentage of covered payroll	24.16%

Notes to the schedules:

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

Combining and Individual Fund
Statements and Schedules

GENERAL FUND AND REVALUATION FUND

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

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

Cherokee County, North Carolina

General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Current year taxes		\$ 16,403,007	
Penalties and interest		185,034	
Total	<u>\$ 16,413,136</u>	<u>16,588,041</u>	<u>\$ 174,905</u>
Local option sales taxes:			
Article 39 one percent		2,876,611	
Article 40 one-half of one percent		1,702,779	
Article 42 one-half of one percent		1,470,687	
Article 44 one-half of one percent		181,736	
Article 46 one-quarter of one percent		575,380	
Total	<u>6,510,989</u>	<u>6,807,193</u>	<u>296,204</u>
Other taxes and licenses:			
Register of deeds - excise tax		276,948	
Car rental tax		4,612	
Local occupancy tax		366,769	
Solid waste disposal tax		22,360	
Franchise tax		62,218	
Civil licenses		1,805	
Total	<u>717,894</u>	<u>734,712</u>	<u>16,818</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes		1,408,877	
Beer and wine tax		110,214	
Total	<u>1,289,100</u>	<u>1,519,091</u>	<u>229,991</u>
Restricted intergovernmental:			
ABC bottle fees		11,029	
Court facility fees		43,622	
Controlled substance tax		26,603	
Health Department grants		54,689	
Health Department state revenues		879,730	
Juvenile Crime Prevention		89,698	
Lottery proceeds		242,055	
Other grants		177,334	
Transportation ROAP		131,053	
Senior Center		172,507	
Social Services		4,348,526	
Tire Disposal Tax Grant		68,947	
Transportation		368,050	
US Forest Service Timber		35,417	
Total	<u>6,784,642</u>	<u>6,649,260</u>	<u>(135,382)</u>
Permits and fees:			
Building permits		263,702	
Fire arm permits		31,047	
Fire inspections		4,650	
Landfill user fees		1,296,351	
Precious metal permits		474	
Register of deeds		204,709	
Water and septic permits		194,735	
Total	<u>1,908,924</u>	<u>1,995,668</u>	<u>86,744</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, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sales and services:			
Ambulance fees		1,648,056	
Aviation gas sales		61,967	
Health Department fees		510,947	
Landfill tipping fees		331,365	
Jet fuel sales		69,838	
Other sales		230,489	
Personnel fees		76,187	
Rents, concessions, and fees		108,162	
Sheriff & jail fees		866,694	
Transportation fees		193,246	
Vehicle tax collection fees		19	
Total	<u>4,361,934</u>	<u>4,096,970</u>	<u>(264,964)</u>
Investment earnings	<u>19,900</u>	<u>23,187</u>	<u>3,287</u>
Miscellaneous:			
ABC Store distributions		30,000	
Insurance proceeds		66,629	
Other		72,618	
Total	<u>89,114</u>	<u>169,247</u>	<u>80,133</u>
Total revenues	<u>38,095,633</u>	<u>38,583,369</u>	<u>487,736</u>
EXPENDITURES			
General government:			
Governing body:			
Salaries and employee benefits		263,217	
Operating expenditures		40,560	
Total	<u>351,116</u>	<u>303,777</u>	<u>47,339</u>
Administration:			
Salaries and employee benefits		176,074	
Operating expenditures		6,752	
Total	<u>187,074</u>	<u>182,826</u>	<u>4,248</u>
Board of Elections:			
Salaries and employee benefits		185,693	
Operating expenditures		57,616	
Total	<u>274,949</u>	<u>243,309</u>	<u>31,640</u>
Information technology:			
Salaries and employee benefits		158,530	
Operating expenditures		113,513	
Capital outlay		108,310	
Total	<u>404,919</u>	<u>380,353</u>	<u>24,566</u>
Finance:			
Salaries and employee benefits		289,010	
Operating expenditures		109,456	
Total	<u>407,114</u>	<u>398,466</u>	<u>8,648</u>
Tax assessor:			
Salaries and employee benefits		363,666	
Operating expenditures		77,725	
Total	<u>449,240</u>	<u>441,391</u>	<u>7,849</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, 2017**

	Final Budget	Actual	Variance Positive (Negative)
Tax collector:			
Salaries and employee benefits		131,618	
Operating expenditures		111,318	
Total	<u>255,390</u>	<u>242,936</u>	<u>12,454</u>
Land records:			
Salaries and employee benefits		129,216	
Operating expenditures		24,060	
Capital outlay		5,334	
Total	<u>160,987</u>	<u>158,610</u>	<u>2,377</u>
Register of deeds:			
Salaries and employee benefits		155,545	
Operating expenditures		225,644	
Capital outlay		12,707	
Total	<u>422,913</u>	<u>393,896</u>	<u>29,017</u>
Public buildings:			
Salaries and employee benefits		277,269	
Operating expenditures		127,807	
Capital outlay		172,123	
Total	<u>743,368</u>	<u>577,199</u>	<u>166,169</u>
Court facilities:			
Operating expenditures		36,803	
Total	<u>37,950</u>	<u>36,803</u>	<u>1,147</u>
Central services:			
Salaries and employee benefits		12,052	
Operating expenditures		203,586	
Total	<u>224,397</u>	<u>215,638</u>	<u>8,759</u>
Total general government	<u>3,919,417</u>	<u>3,575,204</u>	<u>344,213</u>
Public safety:			
Sheriff department:			
Salaries and employee benefits		2,201,080	
Operating expenditures		296,481	
Capital outlay		251,092	
Total	<u>2,894,378</u>	<u>2,748,653</u>	<u>145,725</u>
Jail:			
Salaries and employee benefits		1,365,619	
Operating expenditures		878,877	
Capital outlay		125,846	
Total	<u>2,535,637</u>	<u>2,370,342</u>	<u>165,295</u>
Ambulance service:			
Salaries and employee benefits		2,548,852	
Operating expenditures		421,036	
Capital outlay		339,814	
Total	<u>3,468,527</u>	<u>3,309,702</u>	<u>158,825</u>
911 addressing:			
Salaries and employee benefits		9,509	
Operating expenditures		777	
Total	<u>46,347</u>	<u>10,286</u>	<u>36,061</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, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Emergency communications:			
Salaries and employee benefits		536,877	
Operating expenditures		66,711	
Capital outlay		65,751	
Total	<u>801,765</u>	<u>669,339</u>	<u>132,426</u>
Emergency management:			
Salaries and employee benefits		84,530	
Operating expenditures		93,862	
Total	<u>263,488</u>	<u>178,392</u>	<u>85,096</u>
Code enforcement:			
Salaries and employee benefits		389,065	
Operating expenditures		31,033	
Total	<u>436,076</u>	<u>420,098</u>	<u>15,978</u>
Medical examiner:			
Operating expenditures		23,700	
Total	<u>32,000</u>	<u>23,700</u>	<u>8,300</u>
Animal control:			
Operating expenditures		85,344	
Total	<u>91,059</u>	<u>85,344</u>	<u>5,715</u>
Special appropriations:			
NC Forest Service-Fire protection		91,026	
Valley River Rescue Squad		70,000	
Fire department rescue		54,567	
Total	<u>241,335</u>	<u>215,593</u>	<u>25,742</u>
Total public safety	<u>10,810,612</u>	<u>10,031,449</u>	<u>779,163</u>
Transportation:			
Airport:			
Salaries and employee benefits		77,515	
Operating expenditures		140,645	
Capital outlay		4,445	
Total	<u>233,067</u>	<u>222,605</u>	<u>10,462</u>
Public transportation:			
Salaries and employee benefits		394,354	
Operating expenditures		130,531	
Capital outlay		111,036	
Total	<u>777,518</u>	<u>635,921</u>	<u>141,597</u>
Total transportation	<u>1,010,585</u>	<u>858,526</u>	<u>152,059</u>
Environmental protection:			
Solid waste:			
Salaries and employee benefits		734,899	
Operating expenditures		502,399	
Capital outlay		101,481	
Total	<u>1,435,389</u>	<u>1,338,779</u>	<u>96,610</u>
Total environmental protection	<u>1,435,389</u>	<u>1,338,779</u>	<u>96,610</u>
Economic and physical development:			
Economic development:			
Operating expenditures		40,420	
Grants		64,347	
Total	<u>115,450</u>	<u>104,767</u>	<u>10,683</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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cooperative extension:			
Salaries and employee benefits		130,368	
Operating expenditures		27,763	
Total	<u>179,092</u>	<u>158,131</u>	<u>20,961</u>
Soil and water conservation:			
Salaries and employee benefits		85,858	
Total	<u>85,860</u>	<u>85,858</u>	<u>2</u>
Special appropriations:			
Cherokee County Board of Tourism		346,219	
Soil and Water Conservation District		87,643	
Total	<u>438,649</u>	<u>433,862</u>	<u>4,787</u>
Total economic and physical development	<u>819,051</u>	<u>782,618</u>	<u>36,433</u>
Human services:			
Health department:			
Administration:			
Salaries and employee benefits		449,969	
Operating expenditures		499,531	
Capital outlay		19,430	
Total		<u>968,930</u>	
Women, infants, and children:			
WIC - Breastfeeding		9,834	
WIC - Administration		13,909	
WIC - Client services		82,780	
WIC - Nutritional education		28,793	
Total		<u>135,316</u>	
Environmental health:			
Salaries and employee benefits		190,532	
Operating expenditures		9,672	
Total		<u>200,204</u>	
Food and lodging:			
Salaries and employee benefits		134,029	
Operating expenditures		2,490	
Total		<u>136,519</u>	
Health programs:			
Health promotion			
Salaries and employee benefits		45,947	
Operating expenditures		378	
Total		<u>46,325</u>	
Bio terrorism			
Salaries and employee benefits		40,747	
Operating expenditures		769	
Total		<u>41,516</u>	
Immunization			
Salaries and employee benefits		78,756	
Operating expenditures		93,919	
Total		<u>172,675</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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Health programs (continued):			
Communicable disease			
Salaries and employee benefits		47,954	
Operating expenditures		9,536	
Total		<u>57,490</u>	
Andrews clinic			
Salaries and employee benefits		73,180	
Operating expenditures		40,058	
Total		<u>113,238</u>	
Pregnancy care management (OBCM)			
Salaries and employee benefits		71,296	
Operating expenditures		4,877	
Total		<u>76,173</u>	
Maternal health			
Salaries and employee benefits		63,267	
Operating expenditures		12,396	
Total		<u>75,663</u>	
Breast and cervical cancer			
Salaries and employee benefits		29,569	
Operating expenditures		21,906	
Total		<u>51,475</u>	
Breast feeding peer counseling			
Salaries and employee benefits		6,963	
Operating expenditures		1,733	
Total		<u>8,696</u>	
Family planning			
Salaries and employee benefits		98,656	
Operating expenditures		36,211	
Total		<u>134,867</u>	
Child health			
Salaries and employee benefits		21,715	
Operating expenditures		20,380	
Total		<u>42,095</u>	
Child service coordinator			
Salaries and employee benefits		46,422	
Operating expenditures		563	
Total		<u>46,985</u>	
School based clinic			
Operating expenditures		140	
Capital outlay		45,044	
Total		<u>45,184</u>	
School nurse initiative			
Operating expenditures		100,000	
Total		<u>100,000</u>	
Medication management			
Salaries and employee benefits		16,967	
Operating expenditures		6,528	
Total		<u>23,495</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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Smart start			
Salaries and employee benefits		40,650	
Operating expenditures		1,333	
Total		<u>41,983</u>	
Total Health programs		<u>1,077,860</u>	
Total Health department	<u>2,726,878</u>	<u>2,518,829</u>	<u>208,049</u>
Social services:			
Administration:			
Salaries and employee benefits		2,783,344	
Operating expenses		280,755	
Capital outlay		59,827	
Total		<u>3,123,926</u>	
Programs:			
Operating expenses		<u>2,686,286</u>	
Total		<u>2,686,286</u>	
Total Social services	<u>6,360,481</u>	<u>5,810,212</u>	<u>550,269</u>
Senior citizens program:			
Salaries and employee benefits		205,678	
Operating expenses		176,757	
Total	<u>405,291</u>	<u>382,435</u>	<u>22,856</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		43,630	
Operating expenses		2,986	
Total	<u>64,785</u>	<u>46,616</u>	<u>18,169</u>
Special appropriations:			
Industrial Opportunities, Inc.		60,000	
State of Franklin Health Council		14,000	
Haven Child Advocacy		10,000	
Juvenile Crime Prevention Programs		105,685	
Total	<u>189,986</u>	<u>189,685</u>	<u>301</u>
Total human services	<u>9,822,421</u>	<u>9,022,777</u>	<u>799,644</u>
Cultural and recreational:			
Library:			
Operating expenditures		183,045	
Total	<u>183,045</u>	<u>183,045</u>	<u>-</u>
Parks and recreation:			
Salaries and employee benefits		197,759	
Operating expenditures		55,794	
Capital outlay		109,879	
Total	<u>423,742</u>	<u>363,432</u>	<u>60,310</u>
Museum:			
Salaries and employee benefits		42,078	
Operating expenditures		48	
Total	<u>42,147</u>	<u>42,126</u>	<u>21</u>
Total cultural and recreation	<u>648,934</u>	<u>588,603</u>	<u>60,331</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, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Education:			
Public schools:			
Public schools - current		6,721,353	
Public schools - capital outlay		583,990	
Total	<u>7,507,460</u>	<u>7,305,343</u>	<u>202,117</u>
Community college:			
Community college - current		939,564	
Total	<u>1,111,725</u>	<u>939,564</u>	<u>172,161</u>
Total education	<u>8,619,185</u>	<u>8,244,907</u>	<u>374,278</u>
Debt service:			
Principal retirements		2,039,430	
Interest and fees		260,396	
Total debt service	<u>2,302,400</u>	<u>2,299,826</u>	<u>2,574</u>
Total expenditures	<u>39,387,994</u>	<u>36,742,689</u>	<u>2,645,305</u>
Revenues over (under) expenditures	(1,292,361)	1,840,680	3,133,041
OTHER FINANCING SOURCES (USES)			
Transfers to other funds:			
Debt Service Fund	(383,562)	(383,561)	1
Revaluation Fund	(75,000)	(75,000)	-
Airport Improvement Fund	(17,663)	(17,663)	-
Pool and Wellness Center	(4,594)	(4,594)	-
Total other financing sources (uses)	<u>(480,819)</u>	<u>(480,818)</u>	<u>1</u>
expenditures	(1,773,180)	1,359,862	3,133,042
Appropriated fund balance	<u>1,773,180</u>	-	<u>(1,773,180)</u>
Net change in fund balance	<u>\$ -</u>	1,359,862	<u>\$ 1,359,862</u>
Fund balance, beginning as previously reported		19,359,832	
Prior period adjustment		<u>(2,964)</u>	
Fund balance, beginning as restated		19,356,868	
Fund balance, ending		<u>\$ 20,716,730</u>	

Cherokee County, North Carolina
Revaluation Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment earnings	\$ 400	\$ 411	\$ 11
Total revenues	<u>400</u>	<u>411</u>	<u>11</u>
EXPENDITURES			
Current:			
General government:			
Salaries and employee benefits		65,952	
Operating expenditures		6,420	
Capital outlay		23,482	
Total expenditures	<u>109,282</u>	<u>95,854</u>	<u>13,428</u>
Revenues over (under) expenditures	(108,882)	(95,443)	13,439
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
General Fund	75,000	75,000	-
Total other financing sources (uses)	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Revenues and other sources over (under) expenditures	(33,882)	(20,443)	13,439
Appropriated fund balance	<u>33,882</u>	<u>-</u>	<u>(33,882)</u>
Net change in fund balance	<u>\$ -</u>	<u>(20,443)</u>	<u>\$ (20,443)</u>
Fund balance, beginning		<u>437,329</u>	
Fund balances, ending		<u>\$ 416,886</u>	

DEBT SERVICE FUND

The County has one major governmental debt service fund.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

Cherokee County, North Carolina
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment earnings	\$ 121,146	\$ 114,701	\$ (6,445)
Total revenues	<u>121,146</u>	<u>114,701</u>	<u>(6,445)</u>
Expenditures:			
General Government:			
Debt service:			
Principal retirement		3,250,000	
Total expenditures	<u>3,250,000</u>	<u>3,250,000</u>	<u>-</u>
Revenues over (under) expenditures	(3,128,854)	(3,135,299)	(6,445)
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
General Fund		383,561	
Total other financing sources (uses)	<u>383,562</u>	<u>383,561</u>	<u>(1)</u>
Revenues and other sources over (under) expenditures	(2,745,292)	(2,751,738)	(6,446)
Appropriated fund balance	<u>2,745,292</u>	<u>-</u>	<u>(2,745,292)</u>
Net change in fund balance	<u>\$ -</u>	<u>(2,751,738)</u>	<u>\$ (2,751,738)</u>
Fund balance, beginning		<u>5,709,008</u>	
Fund balance, ending		<u>\$ 2,957,270</u>	

Non-major Governmental Funds

The County has the following non-major governmental funds:

Special Revenue Funds:

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

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

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

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

Housing Preservation Grant Fund - This fund is established to account for the Grant to repair or rehabilitate low- and very low-income housing. For the fiscal year ended June 30, 2017, the fund had no financial transactions to report.

Capital Project Funds:

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

School Improvement Fund – This fund is used to account for the construction of the new school facilities. For the fiscal year ended June 30, 2017, the fund had no financial transactions or account balances to report.

Snap-On Tools Water Infrastructure Improvements and Fiber Optic Expansion Project – This fund is used to account for the installation of approximately 2,200 linear feet of twelve-inch (12") waterline and necessary appurtenances. In addition, this project will include the installation of approximately 6,000 feet of fiber optic line.

Health Department Renovation and Expansion Capital Project – This fund is used to account for the renovations, expansion and the purchase of a mobile unit for the Andrews Health Center. For the fiscal year ended June 30, 2017, the fund had no financial transactions to report.

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

Cherokee County, North Carolina
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2017

	Total Non-major Special Revenue Funds	Total Non-major Capital Projects Fund	Total Non-major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 239,470	\$ 17,664	\$ 257,134
Restricted cash	108	-	108
Taxes receivable (net)	78,369	-	78,369
Accounts receivable	22,939	396,919	419,858
Total assets	<u>\$ 340,886</u>	<u>\$ 414,583</u>	<u>\$ 755,469</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 39,636	\$ 73,627	\$ 113,263
Due to other funds	-	329,292	329,292
Total liabilities	<u>39,636</u>	<u>402,919</u>	<u>442,555</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes receivable	78,369	-	78,369
Total deferred inflows of resources	<u>78,369</u>	<u>-</u>	<u>78,369</u>
Fund balances:			
Restricted:			
Stabilization by state statute	22,939	396,919	419,858
Public safety	199,834	-	199,834
Economic and physical development	108	-	108
Unassigned	-	(385,255)	(385,255)
Total fund balances	<u>222,881</u>	<u>11,664</u>	<u>234,545</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 340,886</u>	<u>\$ 414,583</u>	<u>\$ 755,469</u>

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2017

	Total Non-major Special Revenue Funds	Total Non-major Capital Projects Fund	Total Non-major Governmental Funds
REVENUES			
Ad valorem taxes	\$ 1,886,069	\$ -	\$ 1,886,069
Restricted intergovernmental	275,265	365,015	640,280
Investment earnings	276	-	276
Total revenues	<u>2,161,610</u>	<u>365,015</u>	<u>2,526,625</u>
EXPENDITURES			
Current:			
General government	312,108	-	312,108
Public safety	2,022,611	-	2,022,611
Transportation	-	60,000	60,000
Economic and physical development	-	311,015	311,015
Total expenditures	<u>2,334,719</u>	<u>371,015</u>	<u>2,705,734</u>
Excess (deficiency) of revenues over expenditures	<u>(173,109)</u>	<u>(6,000)</u>	<u>(179,109)</u>
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	-	17,663	17,663
Total other financing sources (uses)	<u>-</u>	<u>17,663</u>	<u>17,663</u>
Net change in fund balances	<u>(173,109)</u>	<u>11,663</u>	<u>(161,446)</u>
Fund balance, beginning as previously reported	393,069	1	393,070
Prior period adjustment	2,921	-	2,921
Fund balances, beginning as restated	<u>395,990</u>	<u>1</u>	<u>395,991</u>
Fund balances, ending	<u>\$ 222,881</u>	<u>\$ 11,664</u>	<u>\$ 234,545</u>

Cherokee County, North Carolina
Combining Balance Sheet
Non-major Governmental Funds - Special Revenue Funds
June 30, 2017

	Emergency Telephone System Fund	Fire District Fund	Bear Paw Service District	Housing Preservation Grant Fund	Total Non-major Special Revenue Funds
ASSETS					
Cash and cash equivalents	\$ 209,754	\$ 28,482	\$ 1,234	\$ -	\$ 239,470
Restricted cash	-	-	-	108	108
Taxes receivable (net)	-	75,086	3,283	-	78,369
Accounts receivable	22,939	-	-	-	22,939
Total assets	<u>\$ 232,693</u>	<u>\$ 103,568</u>	<u>\$ 4,517</u>	<u>\$ 108</u>	<u>\$ 340,886</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 9,920	\$ 28,482	\$ 1,234	\$ -	\$ 39,636
Total liabilities	<u>9,920</u>	<u>28,482</u>	<u>1,234</u>	<u>-</u>	<u>39,636</u>
DEFERRED INFLOWS OF RESOURCES					
Taxes receivable	-	75,086	3,283	-	78,369
Total deferred inflows of resources	<u>-</u>	<u>75,086</u>	<u>3,283</u>	<u>-</u>	<u>78,369</u>
Fund balances:					
Restricted:					
Stabilization by State Statute	22,939	-	-	-	22,939
Public safety	199,834	-	-	-	199,834
Economic and physical development	-	-	-	108	108
Unassigned	-	-	-	-	-
Total fund balances	<u>222,773</u>	<u>-</u>	<u>-</u>	<u>108</u>	<u>222,881</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 232,693</u>	<u>\$ 103,568</u>	<u>\$ 4,517</u>	<u>\$ 108</u>	<u>\$ 340,886</u>

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds - Special Revenue Funds
For the Fiscal Year Ended June 30, 2017

	Emergency Telephone System Fund	Fire District Fund	Bear Paw Service District	Housing Preservation Grant Fund	Total Non-major Special Revenue Funds
REVENUES					
Ad valorem taxes	\$ -	\$ 1,573,961	\$ 312,108	\$ -	\$ 1,886,069
Restricted intergovernmental	275,265	-	-	-	275,265
Investment earnings	276	-	-	-	276
Total revenues	<u>275,541</u>	<u>1,573,961</u>	<u>312,108</u>	<u>-</u>	<u>2,161,610</u>
EXPENDITURES					
Current:					
General government	-	-	312,108	-	312,108
Public safety	448,650	1,573,961	-	-	2,022,611
Total expenditures	<u>448,650</u>	<u>1,573,961</u>	<u>312,108</u>	<u>-</u>	<u>2,334,719</u>
Excess (deficiency) of revenues over expenditures	<u>(173,109)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(173,109)</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(173,109)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(173,109)</u>
Fund balance, beginning as previously reported	392,961	-	-	108	393,069
Prior period adjustment	2,921	-	-	-	2,921
Fund balances, beginning as restated	<u>395,882</u>	<u>-</u>	<u>-</u>	<u>108</u>	<u>395,990</u>
Fund balances, ending	<u>\$ 222,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108</u>	<u>\$ 222,881</u>

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, 2017

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental	\$ 275,694	\$ 275,265	\$ (429)
Investment earnings	400	276	(124)
Total revenues	<u>276,094</u>	<u>275,541</u>	<u>(553)</u>
EXPENDITURES			
Public safety			
Operating expenditures		335,427	
Capital outlay		113,223	
Total expenditures	<u>588,812</u>	<u>448,650</u>	<u>140,162</u>
Revenues over (under) expenditures	(312,718)	(173,109)	139,609
Appropriated fund balance	<u>312,718</u>	<u>-</u>	<u>(312,718)</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(173,109)</u>	<u>\$ (173,109)</u>
Fund balance, beginning as previously reported		392,961	
Prior period adjustment		2,921	
Fund balance, beginning as restated		<u>395,882</u>	
Fund balance, ending		<u>\$ 222,773</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, 2017**

	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Ad valorem taxes	\$ 1,562,000	\$ 1,573,961	\$ 11,961
Total revenues	<u>1,562,000</u>	<u>1,573,961</u>	<u>11,961</u>
EXPENDITURES			
Public safety:			
Collection Fees		6,785	
Bellview Fire District		93,830	
Brasstown Fire District		14,847	
Culberson Fire District		90,831	
Grape Creek Fire District		29,029	
Hanging Dog Fire District		49,336	
Hiwassee Fire District		187,909	
Wolf Creek Fire District		67,522	
Martins Creek Fire District		81,395	
Peachtree Fire District		177,204	
Murphy Rural Fire District		305,330	
Ranger Fire District		127,281	
Tipton Fire District		2,862	
Unaka Fire District		34,486	
Valleytown Fire District		291,031	
Violet Fire District		14,283	
Total expenditures	<u>1,562,000</u>	<u>1,573,961</u>	<u>(11,961)</u>
Net change in fund balance	<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, 2017

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Ad valorem taxes	\$ 316,100	\$ 312,108	\$ (3,992)
Total revenues	316,100	312,108	(3,992)
EXPENDITURES			
General government:			
Bear Paw Service District	316,100	312,108	3,992
Total expenditures	316,100	312,108	3,992
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

Cherokee County, North Carolina
Combining Balance Sheet
Non-major Governmental Funds - Capital Project Funds
June 30, 2017

	Snap-On Tools Water Infrastructure Improvements and Fiber Optic Expansion Project	Airport Improvements	Total Non-major Capital Projects Fund
ASSETS			
Cash and cash equivalents	\$ -	\$ 17,664	\$ 17,664
Accounts receivable	342,919	54,000	396,919
Total assets	<u>\$ 342,919</u>	<u>\$ 71,664</u>	<u>\$ 414,583</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 13,627	\$ 60,000	\$ 73,627
Due to other funds	329,292	-	329,292
Total liabilities	<u>342,919</u>	<u>60,000</u>	<u>402,919</u>
Fund balances:			
Restricted:			
Stabilization by state statute	342,919	54,000	396,919
Unassigned	(342,919)	(42,336)	(385,255)
Total fund balances	<u>-</u>	<u>11,664</u>	<u>11,664</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 342,919</u>	<u>\$ 71,664</u>	<u>\$ 414,583</u>

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds - Capital Project Funds
June 30, 2017

	Snap-On Tools Water Infrastructure Improvements and Fiber Optic Expansion Project	Airport Improvements	Total Non-major Capital Projects Fund
REVENUES			
Restricted intergovernmental	\$ 311,015	\$ 54,000	\$ 365,015
Total revenues	<u>311,015</u>	<u>54,000</u>	<u>365,015</u>
EXPENDITURES			
Current:			
Transportation	-	60,000	60,000
Economic and physical development	311,015	-	311,015
Total expenditures	<u>311,015</u>	<u>60,000</u>	<u>371,015</u>
Revenues over (under) expenditures	-	(6,000)	(6,000)
OTHER FINANCING SOURCES (USES)			
Transfer to General Fund	-	17,663	17,663
Total other financing sources (uses)	<u>-</u>	<u>17,663</u>	<u>17,663</u>
Net change in fund balances	-	11,663	11,663
Fund balances, beginning	-	1	1
Fund balances, ending	<u>\$ -</u>	<u>\$ 11,664</u>	<u>\$ 11,664</u>

Cherokee County, North Carolina
Snap-On Tools Water Infrastructure Improvements and Fiber Optic Expansion Project
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authorizatio n	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental:					
NC Department of Commerce Rural Grants - Economic Infrastructure Program	\$ 209,820	\$ -	\$ 199,320	\$ 199,320	\$ (10,500)
Appalachian Regional Commission	220,864	31,904	111,695	143,599	(77,265)
Total revenues	<u>430,684</u>	<u>31,904</u>	<u>311,015</u>	<u>342,919</u>	<u>(87,765)</u>
EXPENDITURES					
Economic and physical development:					
Capital outlay:					
Construction		18,428	250,241	268,669	
Administrative & legal		-	32,850	32,850	
Architectural & engineering		19,520	18,318	37,838	
Miscellaneous		-	9,606	9,606	
Contingencies		5,000	-	5,000	
Total expenditures	<u>441,728</u>	<u>42,948</u>	<u>311,015</u>	<u>353,963</u>	<u>87,765</u>
Revenues over (under) expenditures	<u>(11,044)</u>	<u>(11,044)</u>	<u>-</u>	<u>(11,044)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfer from other funds					
General Fund	11,044	11,044	-	11,044	-
Total other financing sources (uses)	<u>11,044</u>	<u>11,044</u>	<u>-</u>	<u>11,044</u>	<u>-</u>
Appropriated fund balance	-	-	-	-	-
Revenues and other sources over (under) expenditure	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning				-	
Fund balance, ending				<u>\$ -</u>	

Cherokee County, North Carolina
Airport Improvement Project
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2017

	Project Authoriza- tion	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental:					
Grant-36237.41.12.1	\$ 35,215	\$ 35,216	\$ -	\$ 35,216	\$ 1
Grant-36237.41.12.2	19,095	19,094	-	19,094	(1)
Grant-36237.41.12.3	11,976	11,976	-	11,976	-
Grant-36237.41.13.1	158,962	-	54,000	54,000	(104,962)
Total revenues	<u>225,248</u>	<u>66,286</u>	<u>54,000</u>	<u>120,286</u>	<u>(104,962)</u>
EXPENDITURES					
Transportation:					
Aviation access driveway 41.12.1	74,781	74,781	-	74,781	-
Airport obstruction removal 41.12.2	21,217	21,216	-	21,216	1
41.12.3	13,307	13,307	-	13,307	-
Airport layout plan update 41.13.1	176,625	-	60,000	60,000	116,625
Total expenditures	<u>285,930</u>	<u>109,304</u>	<u>60,000</u>	<u>169,304</u>	<u>116,626</u>
Revenues over (under) expenditures	(60,682)	(43,018)	(6,000)	(49,018)	(11,664)
OTHER FINANCING SOURCES (USES)					
Transfer from General Fund					
Grant-36237.41.12.1	39,566	39,565	-	39,565	1
Grant-36237.41.12.2	2,122	2,122	-	2,122	-
Grant-36237.41.12.3	1,331	1,331	-	1,331	-
Grant-36237.41.13.1	17,663	-	17,663	17,663	-
Total other financing sources (uses)	<u>60,682</u>	<u>43,018</u>	<u>17,663</u>	<u>60,681</u>	<u>1</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,663</u>	<u>\$ 11,663</u>	<u>\$ (11,663)</u>
Fund balance, beginning			<u>1</u>		
Fund balance, ending			<u>\$ 11,664</u>		

Enterprise Fund

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

Cherokee County, North Carolina
Pool and Wellness Center
Statement of Revenues, Expenditures - Budget and Actual (non-GAAP)
For the Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Charges for services:			
Membership & fees		\$ 325,257	
Miscellaneous		4,891	
Total operating revenues	<u>\$ 321,591</u>	<u>330,148</u>	<u>\$ 8,557</u>
Nonoperating revenues:			
Contributions		45,753	
Interest earnings		14	
Total nonoperating revenues	<u>64,493</u>	<u>45,767</u>	<u>(18,726)</u>
Total revenues	<u>386,084</u>	<u>375,915</u>	<u>(10,169)</u>
EXPENDITURES			
Operations:			
Salaries & employee benefits		240,153	
Supplies		13,199	
Travel		1,444	
Utilities		73,799	
Maintenance		14,244	
Other		37,586	
Advertising		487	
Total operating expenses	<u>390,678</u>	<u>380,912</u>	<u>9,766</u>
Total expenditures:	<u>390,678</u>	<u>380,912</u>	<u>9,766</u>
Revenues over (under) expenditures	<u>(4,594)</u>	<u>(4,997)</u>	<u>(403)</u>
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
General Fund	4,594	4,594	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ (403)</u>	<u>\$ (403)</u>
Reconciliation from Budgetary Basis			
(modified accrual) to Full accrual:			
Revenues and other financing sources over			
(under) expenditures		\$ (403)	
Reconciling items:			
Increase (decrease) in deferred outflows of resources - pensions		29,787	
Decrease (increase) in net pension liability		(35,822)	
Decrease (increase) in accrued vacation pay		(1,116)	
Decrease (increase) in deferred inflows of resources - pensions		1,603	
Depreciation		(95,630)	
Total reconciling items		<u>(101,178)</u>	
Change in net position		<u>\$ (101,581)</u>	

AGENCY FUNDS

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

- **Detention Center Trust Fund** – This fund accounts for moneys held by the Sheriff for the benefit of inmates while they are incarcerated and for funds held for the Clerk of the Court.
- **Social Services Fund** - This fund accounts for monies held by the Social Services Department for the benefit of certain individuals in the County.
- **Deed of Trust Fee Fund** – This fund accounts for five dollars of each fee collected by the Register of Deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.
- **Fines and Forfeitures Fund** – This fund accounts for fines and forfeitures collected by the County that are required to be remitted to the Cherokee County Board of Education.
- **Municipal Tax Fund** - which accounts for funds that are billed and collected by the County for various municipalities and special districts within the County but that are not revenues to the County.

Cherokee County, North Carolina
Combining Statement of Fiduciary Assets and Liabilities
For the Fiscal Year Ended June 30, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Detention Center Trust Fund</u>				
Assets:				
Cash and cash equivalents	\$ 104,419	\$ 176,661	\$ 186,769	\$ 94,311
Liabilities:				
Miscellaneous liabilities	\$ 104,419	\$ 176,661	\$ 186,769	\$ 94,311
<u>Social Services Fund</u>				
Assets:				
Cash and cash equivalents	\$ 35,847	\$ 386,808	\$ 353,010	\$ 69,645
Liabilities:				
Miscellaneous liabilities	\$ 35,847	\$ 386,808	\$ 353,010	\$ 69,645
<u>Deed of Trust Fund</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 5,409	\$ 5,409	\$ -
Liabilities:				
Intergovernmental payable State of NC	\$ -	\$ 5,409	\$ 5,409	\$ -
<u>Fines and Forfeitures Fund</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 138,192	\$ 138,192	\$ -
Liabilities:				
Intergovernmental payable - Cherokee County Board of Education	\$ -	\$ 138,192	\$ 138,192	\$ -
<u>Municipal Tax Fund</u>				
Assets:				
Cash and cash equivalents	\$ 9,942	\$ 94,719	\$ 93,702	\$ 10,959
Liabilities:				
Intergovernmental payable	\$ 9,942	\$ 94,719	\$ 93,702	\$ 10,959
Total	\$ 9,942	\$ 94,719	\$ 93,702	\$ 10,959
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 150,208	\$ 801,789	\$ 777,082	\$ 174,915
Liabilities:				
Miscellaneous liabilities	\$ 140,266	\$ 563,469	\$ 539,779	\$ 163,956
Intergovernmental payable	9,942	238,320	237,303	10,959
Total liabilities	\$ 150,208	\$ 801,789	\$ 777,082	\$ 174,915

OTHER SCHEDULES

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

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy – County-Wide Levy

Emergency Telephone System Unspent Balance - PSAP Reconciliation

Schedule of Transfers

Cherokee County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2017

<u>Fiscal Year</u>	<u>Uncollected Beginning Balance</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Ending Balance</u>
2016-2017	\$ -	\$ 16,375,353	\$ 15,986,430	\$ 388,923
2015-2016	441,796		308,955	132,841
2014-2015	141,673	-	79,756	61,917
2013-2014	84,372	-	32,717	51,655
2012-2013	61,698	-	21,198	40,500
2011-2012	43,078	-	11,541	31,537
2010-2011	34,404	-	7,870	26,534
2009-2010	30,860	-	4,672	26,188
2008-2009	30,482	-	3,091	27,391
2007-2008	34,076	-	2,493	31,583
2006-2007	29,054	-	29,054	-
	<u>\$ 931,493</u>	<u>\$ 16,375,353</u>	<u>\$ 16,487,777</u>	819,069
Less: allowance for uncollectible accounts:				
General fund				<u>(458,147)</u>
Ad valorem taxes receivable - net:				
General fund				<u>\$ 360,922</u>
 <u>Reconcilement with revenues:</u>				
Ad valorem taxes - General fund				\$ 16,588,041
Reconciling items:				
Interest collected				(168,436)
Release and adjustments				39,118
Taxes written off				29,054
Total reconciling items				<u>(100,264)</u>
Total collections and credits				<u>\$ 16,487,777</u>

Cherokee County, North Carolina
Analysis of Current Tax Levy
County - Wide Levy
For the Fiscal Year Ended June 30, 2017

	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	\$ 3,082,541,731	0.52	\$ 16,029,217	\$ 14,769,480	\$ 1,259,737
Penalties	-		15,577	15,577	-
Total	<u>3,082,541,731</u>		<u>16,044,794</u>	<u>14,785,057</u>	<u>1,259,737</u>
Discoveries:					
Current year taxes	<u>72,007,440</u>	0.52	<u>374,439</u>	<u>374,439</u>	<u>-</u>
Total	<u>72,007,440</u>		<u>374,439</u>	<u>374,439</u>	<u>-</u>
Abatements					
Penalties	-	0.52	(1,276)	(1,276)	-
Taxes	<u>(8,193,006)</u>		<u>(42,604)</u>	<u>(33,790)</u>	<u>(8,814)</u>
Total property valuation	<u>\$ 3,146,356,165</u>		<u>(43,880)</u>	<u>(35,066)</u>	<u>(8,814)</u>
Net levy			16,375,353	15,124,430	1,250,923
Uncollected taxes at June 30, 2017			<u>(388,923)</u>	<u>(388,923)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 15,986,430</u>	<u>\$ 14,735,507</u>	<u>\$ 1,250,923</u>
Current levy collection percentage			<u>97.62%</u>	<u>97.43%</u>	<u>100.00%</u>

Cherokee County, North Carolina
Schedule of Transfers
For the Fiscal Year Ended June 30, 2017

Operating Transfers From/To Other Funds	Transfers	
	From	To
General Fund	383,561	
Debt Service Fund		383,561
General Fund	75,000	
Revaluation Fund		75,000
General Fund	17,663	
Airport Improvement Fund		17,663
General Fund	4,594	
Pool and Wellness Center Proprietary Fund		4,594
	480,818	480,818

COMPLIANCE SECTION

Turner & Company CPAs P.A.

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

Board of County Commissioners
Cherokee County
Murphy, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises Cherokee County's basic financial statements, and have issued our report thereon dated December 4, 2017. The financial statements of the Tourism Development Authority were not audited in accordance with Governmental Auditing Standards.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

TURNER & COMPANY CPAs P.A.
Murphy, North Carolina
December 4, 2017

Turner & Company CPAs P.A.

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Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

Board of County Commissioners
Cherokee County
Murphy, North Carolina

Report on Compliance for Each Major Federal Program

We have audited 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 Cherokee County's major federal programs for the year ended June 30, 2017. Cherokee County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Cherokee County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cherokee County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cherokee County's compliance.

Opinion on Each Major Federal Program

In our opinion, Cherokee County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Cherokee County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cherokee County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Turner & Company CPAs P.A.

TURNER & COMPANY CPAs P.A.
Murphy, North Carolina
December 4, 2017

Turner & Company CPAs P.A.

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Independent Auditors' Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance; In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

Board of County Commissioners
Cherokee County
Murphy, North Carolina

Report on Compliance for Each Major State Program

We have audited Cherokee County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Cherokee County's major state programs for the year ended June 30, 2017. Cherokee County's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Cherokee County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Cherokee County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Cherokee County's compliance.

Opinion on Each Major State Program

In our opinion, Cherokee County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Cherokee County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cherokee County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Handwritten signature in cursive script: "Turner & Company CPAs P.A."

TURNER & COMPANY CPAs P.A.
Murphy, North Carolina
December 4, 2017

**Cherokee County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017**

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 ___ yes X 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:

CFDA# Name of Federal Program or Cluster

93.78 Medical Assistance Program (Title XIX Medicaid)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,084,229

Auditee qualified as low-risk auditee X yes ___ 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

Identification of major State Programs (Dollar threshold over \$500,000):

Program Name

The only major State program for Cherokee County is the **Medical Assistance Program (Title XIX - Medicaid 93.778)**, which is a State match on a federal program. Therefore, this program has been included in the list of major federal programs above.

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

**Cherokee County, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2017**

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

Cherokee County, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2017

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2017

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA Number	State/Pass through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
Federal Awards:						
<u>U.S. Department of Agriculture</u>						
<u>Food and Nutrition Service</u>						
Passed-through the N.C. Department of Health and Human Services: Division of Social Services: Administration:						
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	XXXX	292,935	-	-	292,935
Passed-through the N.C. Department of Health and Human Services: Division of Public Health: Administration:						
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	XXXX	140,258	-	-	-
Direct Benefit Payments:						
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	XXXX	561,579	-	-	-
Total U.S. Department of Agriculture			994,772	-	-	292,935
<u>U. S. Department of Justice</u>						
<u>Bureau of Justice Assistance</u>						
Passed-through N.C. Department of Public Safety: Division of Law Enforcement						
Bulletproof Vest Partnership Program	16.607	XXXX	3,891	-	-	3,892
Total U.S. Department of Justice			3,891	-	-	3,892
<u>U.S. Department of Transportation</u>						
<u>Federal Transit Administration</u>						
Passed-through N.C. Department of Transportation:						
Airport Improvement Program	20.106	36237.41.13.1	54,000	-	-	6,000
Formula Grants for Rural Areas						
Administration	20.509	36233.22.18.1	126,463	7,902	-	23,715
Capital	20.509	36233.22.18.3	86,177	10,772	-	10,773
Total Formula Grants for Rural Areas			212,640	18,674	-	34,488
Transit Services Programs Cluster						
Enhanced Mobility of Seniors & Individuals with Disabilities - Operating	20.513	51001.30.4.2	72,801	-	-	72,805
Total Transit Services Programs Cluster			72,801	-	-	72,805
Total U.S. Department of Transportation			339,441	18,674	-	113,293
<u>U.S. Department of Homeland Security</u>						
Passed-through N.C. Department of Public Safety: Division of Emergency Management						
Emergency Management Performance Grants	97.042	XXXX	54,773	-	-	56,542
Pre-Disaster Mitigation	97.047	XXXX	30,263	-	-	10,080
Homeland Security Grant Program	97.067	XXXX	10,670	-	-	-
Total U.S. Department of Homeland Security			95,706	-	-	66,622
<u>U.S. Department of Health & Human Services</u>						
<u>Administration on Aging:</u>						
Passed-through the N.C. Department of Health and Human Services: Division of Aging and Adult Services						
Passed-through Southwestern North Carolina Planning and Economic Development Commission Council of Governments:						
<u>Aging Cluster:</u>						
Special Programs for the Aging Title III - Part B						
Grants for Supportive Services and Senior Centers	93.044	XXXX	148,647	8,744	-	17,488
Special Programs for the Aging Title III - Part C						
Nutrition Services	93.045	XXXX	129,818	7,636	-	15,273
Nutrition Services Incentive Program	93.053	XXXX	20,760	-	-	-
Total Aging Cluster			299,225	16,380	-	32,761
Social Service Block Grant (SSBG) - State In Home Services	93.667	XXXX	13,876	-	-	1,982
Social Service Block Grant (SSBG) - Adult Protective Services	93.667	XXXX	14,651	-	-	4,884
Total Administration on Aging			327,752	16,380	-	39,627

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2017

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA Number	State/Pass through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
<u>Administration for Children and Families</u>						
Passed-through the N.C. Department of Health and Human Services:						
Division of Social Services						
<u>Temporary Assistance for Needy Families Cluster:</u>						
Temporary Assistance for Needy Families (TANF) /Work First	93.558	XXXX	319,019	-	-	72,490
Temporary Assistance for Needy Families	93.558	XXXX	1,896	-	-	-
TANF / Work First - Direct Benefit Payments	93.558	XXXX	64,084	-	-	-
Total TANF Cluster			384,999	-	-	72,490
Promoting Safe and Stable Families	93.556	XXXX	26,770	-	-	-
Child Support Enforcement Section	93.563	XXXX	206,032	271	-	105,867
Low-Income Home Energy Assistance:						
Administration	93.568	XXXX	19,721	-	-	-
Energy Assistance Payments- Direct Benefit Payments	93.568	XXXX	109,600	-	-	-
Crisis Intervention Program	93.568	XXXX	67,905	-	-	-
Total Low-Income Home Energy Assistance			197,226	-	-	-
Stephanie Tubbs Jones Child Welfare Services Program:						
- Permanency Planning - Families for Kids	93.645	XXXX	10,473	-	-	3,491
Total Stephanie Tubbs Jones Child Welfare Services Program			10,473	-	-	3,491
Social Service Block Grant (SSBG) - TANF Transferred to Social Services Block Grant	93.667	XXXX	35,568	-	-	-
Social Service Block Grant (SSBG) - Other Service and Training	93.667	XXXX	107,047	9,559	-	38,868
Total Social Service Block Grant (SSBG)			142,615	9,559	-	38,868
Chafee Foster Care Independence Program						
Administration	93.674	XXXX	34,710	-	-	21,805
Public Assistance	93.674	XXXX	51,259	-	-	-
Total Chafee Foster Care Independence Program			85,969	-	-	21,805
<u>Foster Care and Adoption Cluster (Note 3):</u>						
Foster Care - Title IV-E	93.658	XXXX	118,676	8,248	-	87,088
Adoption Assistance	93.659	XXXX	2,638	-	-	2,500
Foster Care - Title IV-E - Direct Benefit Payments	93.658	XXXX	52,343	13,831	-	14,219
Adoption Assistance - Direct Benefit Payments	93.659	XXXX	324,762	81,549	-	81,549
Total Foster Care and Adoption Cluster			498,419	103,628	-	185,356
Total Division of Social Services			1,552,503	113,458	-	427,877
Division of Child Development:						
Subsidized Child Care (Note 3)						
<u>Child Care Development Fund Cluster:</u>						
Division of Social Services:						
Child Care Development Fund - Administration	93.596	XXXX	85,334	-	-	-
Division of Child Development:						
Child Care and Development Fund - Discretionary	93.575	XXXX	372,178	-	372,178	-
Child Care and Development Fund - Mandatory	93.596	XXXX	131,212	-	-	-
Child Care and Development Fund - Match	93.596	XXXX	148,632	54,321	-	-
Total Child Care Development Fund Cluster			737,356	54,321	372,178	-
Temporary Assistance for Needy Families	93.558	XXXX	109,699	-	-	-
Foster Care - Title IV-E	93.558	XXXX	12,786	6,393	-	-
Smart Start		XXXX	-	68	-	-
State Appropriations		XXXX	-	361,970	-	-
TANF-MOE		XXXX	-	151,105	-	-
Total Subsidized Child Care (Note 3)			859,841	573,857	372,178	-
Total Administration for Children and Families			2,412,344	687,315	372,178	427,877

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2017

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA Number	State/Pass through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
<u>Centers for Medicare and Medicaid Services</u>						
Passed-through N.C. Department of Health and Human Services:						
Division of Medical Assistance:						
Direct Benefit Payments:						
Medical Assistance Program	93.778	XXXX	30,272,605	16,353,610	-	-
Division of Social Services:						
Administration:						
Medical Assistance Program	93.778	XXXX	944,798	1,838	-	349,062
Total Medical Assistance Program			31,217,403	16,355,448	-	349,062
Division of Medical Assistance:						
Direct Benefit Payments:						
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	518,851	4,261	-	-
Division of Social Services:						
Administration:						
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	28,536	23	-	41
Total State Children's Insurance Program - N.C. Health Choice			547,387	4,284	-	41
Total Centers for Medicare and Medicaid Services			31,764,790	16,359,732	-	349,103
<u>Centers for Disease Control and Prevention</u>						
Passed-through N.C. Department of Health and Human Services:						
Division of Public Health:						
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	XXXX	52,125	-	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control Program	93.116	XXXX	50	-	-	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	XXXX	1,500	-	-	-
Immunization Grants	93.268	XXXX	3,816	-	-	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health	93.539	XXXX	5,404	-	-	-
Organizations financed in part by Prevention and Public Health Funds	93.752	XXXX	7,984	-	-	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	XXXX	26,707	-	-	-
HIV Prevention Activities-Health Department Based	93.940	XXXX	3,000	-	-	-
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.997	XXXX	988	-	-	-
Total Centers for Disease Control and Prevention			101,574	-	-	-
<u>Health Resources and Services Administration</u>						
Passed-through N.C. Department of Health and Human Services:						
Division of Public Health:						
Maternal & Child Health Services Block Grant	93.994	XXXX	73,875	26,534	-	-
Total Health Resources and Services Administration			73,875	26,534	-	-
<u>Administration for Community Living</u>						
Passed-through N.C. Department of Health and Human Services:						
Division of Insurance:						
Medicare Enrollment Assistance Program	93.071	XXXX	1,800	-	-	-
State Health Insurance Assistance Program	93.324	XXXX	3,612	-	-	-
Total Administration for Community Living			5,412	-	-	-
<u>Office of the Population Affairs</u>						
Passed-through N.C. Department of Health and Human Services:						
Division of Public Health:						
Family Planning Services	93.217	XXXX	21,420	-	-	-
Total Office of the Population Affairs			21,420	-	-	-
Total U.S. Department of Health and Human Services			34,707,167	17,089,961	372,178	816,607
Total federal awards			36,140,977	17,108,635	372,178	1,293,349

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2017

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA Number	State/Pass through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
State Awards:						
<u>N.C. Department of Administration</u>						
Veterans Service		XXXX	-	2,130	-	-
Total N.C. Department of Administration			-	2,130	-	-
<u>N.C. Department of Commerce</u>						
Division of Rural Development						
Rural Grants - Economic Infrastructure Program (Snap On)		XXXX	-	199,320	-	11,044
Rural Grants - Economic Infrastructure Program (Peachtree)		XXXX	-	60,575	-	3,772
Total N.C. Department of Commerce			-	259,895	-	14,816
<u>N.C. Department of Environmental Quality</u>						
Division of Waste Management						
Community Waste Reduction & Recycling Grant		XXXX	-	20,000	-	15,610
White Goods Management Program		XXXX	-	2,676	-	-
Scrap Tire Program		XXXX	-	68,947	-	-
Total N.C. Department of Environmental Quality			-	91,623	-	15,610
Division of Social Services:						
Administration:						
AFDC Incentive		XXXX	-	11	-	-
State Child Welfare/CPS/CS LD		XXXX	-	58,883	-	-
Public Assistance:						
Domiciliary Care		XXXX	-	226,110	-	226,110
State Foster Home		XXXX	-	79,233	-	79,232
Foster Care HF Maximization		XXXX	-	101,732	-	101,732
Foster Care at Risk Maximization		XXXX	-	373	-	190
CWS Adoption Subsidy		XXXX	-	221,589	-	71,327
SAA/SAD HB 1030		XXXX	-	5,797	-	8,245
Total Division of Social Services			-	693,728	-	486,836
Division of Public Health:						
Food and Lodging Fees		XXXX	-	10,906	-	-
General Aid to Counties		XXXX	-	89,782	-	-
Public Health Nursing		XXXX	-	800	-	-
General Communicable Disease Control		XXXX	-	11,066	-	-
Breast and Cervical Cancer Control Program		XXXX	-	5,100	-	-
Child Health		XXXX	-	1,638	-	-
HMHC-Family Planning		XXXX	-	5,389	-	-
Maternal Health (HMHC)		XXXX	-	1,926	-	-
HIV/STD State		XXXX	-	100	-	-
HIV/STD SSBG Aid		XXXX	-	130	-	-
Sexually Transmitted Diseases		XXXX	-	533	-	-
School Health Centers		XXXX	-	91,104	-	-
School Nurse Funding Initiative		XXXX	-	100,000	-	-
2016 Law PH Medicaid		XXXX	-	73,567	-	-
Electronic Health Record		XXXX	-	20,000	-	-
Tuberculosis		XXXX	-	1,140	-	-
Tuberculosis Medical Service		XXXX	-	540	-	-
Total Division of Public Health			-	413,721	-	-
Total N.C. Department of Health and Human Services			-	1,107,449	-	486,836
<u>N. C. Department of Public Instruction</u>						
Public School Building Capital Fund - Lottery Proceeds		XXXX	-	242,055	242,055	-
Total N. C. Department of Public Instruction			-	242,055	242,055	-
<u>N.C. Department of Public Safety</u>						
Governor's Crime Commission						
HERO and Internet Crimes Against Children (ICAC)		XXXX	-	9,663	-	-
Juvenile Crime Prevention Programs		XXXX	-	89,698	89,698	16,207
Total N.C. Department of Public Safety			-	99,361	89,698	16,207

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2017

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA Number	State/Pass through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
<u>N.C. Department of Transportation</u>						
HD Rescue Squad Pave Driveway		XXXX	-	23,100	-	-
Rural Operating Assistance Program (ROAP) Cluster						
ROAP Elderly and Disabled Transportation Assistance Program		XXXX	-	60,424	-	6,950
ROAP Rural General Public Program		XXXX	-	62,124	-	15,005
ROAP Work First Transitional - Employment		XXXX	-	8,505	-	646
Total ROAP Cluster			-	131,053	-	22,601
Total N.C. Department of Transportation			-	154,153	-	22,601
Total State awards			-	1,956,666	331,753	556,070
Total federal and State awards			\$ 36,140,977	\$ 19,065,301	\$ 703,931	\$ 1,849,419

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

1 Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (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, 2017. 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.

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

3 Cluster of Programs

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