

**CHEROKEE COUNTY,
MURPHY, NORTH CAROLINA**

Murphy, North Carolina

Basic Financial Statements

June 30, 2007

(with Independent Auditors' Report thereon)

**Cherokee County, North Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007**

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Introductory Section

CHEROKEE COUNTY

Elected Officials

COMMISSIONERS

Jonathan Dickey - Chairman

David Sumpter - Vice-Chairman

Dana Jones – Member

SHERIFF

R. Keith Lovin

REGISTER OF DEEDS

Daphne Dockery

CLERK OF COURT

Gerald Breedlove

Appointed Officials

David Badger - County Manager

Bill Block - Finance Officer

Lynn Shore Tax Administrator

Hugh Carringer - Tax Collector

Lisa Davis – Director of Social Services

Elaine Russell – Health Director

R. Scott Lindsay - Attorney

FINANCIAL SECTION

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Turner, Ennis, Hatchett & Roberts

CERTIFIED PUBLIC ACCOUNTANTS, P. A.

Independent Auditor's Report

To the Board of County Commissioners
Cherokee County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina, as of and for the year then ended June 30, 2007, which collectively comprise Cherokee County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cherokee County, North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2007 on our consideration of Cherokee County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Cherokee County, North Carolina. The combining and individual nonmajor fund financial statements and schedules, and the statistical tables, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the accompanying schedule of expenditures of federal and State awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on them.

Turner, Ennis, Hatchett & Roberts

TURNER, ENNIS, HATCHETT & ROBERTS
Certified Public Accountants, P.A.

December 27, 2007

Management's Discussion and Analysis

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, 2007

. 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

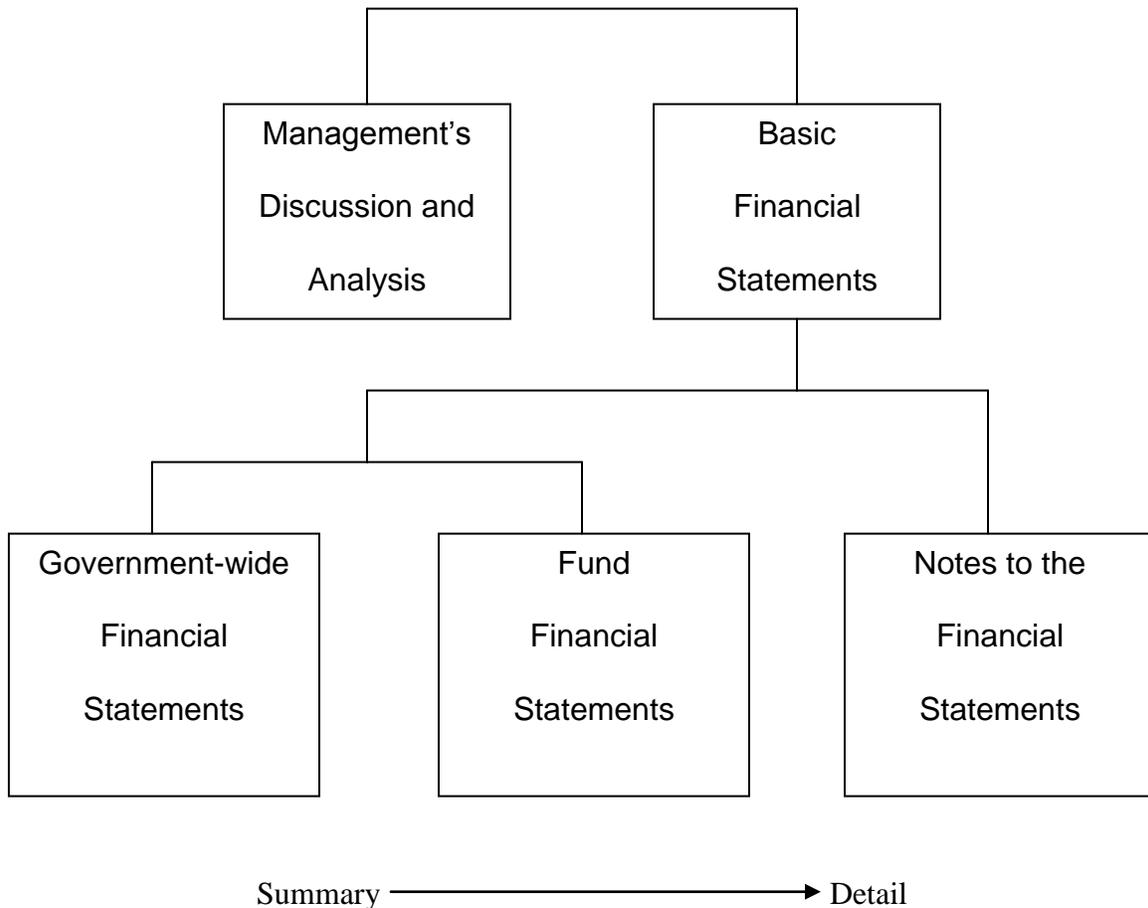
- The assets of Cherokee County exceeded its liabilities at the close of the fiscal year by \$13,847,031 (net assets).
- The government's total assets increased by \$6,560,037 primarily from construction at the airport and the new Pool and Wellness Center.
- Total assets of the County were \$44,919,866.
- As of the close of the current fiscal year, Cherokee County's governmental funds reported combined ending fund balances of \$16,975,400 a decrease of \$314,233 in comparison with the prior year.
- Approximately 39 percent of the fund balance, or \$6,647,390, is available for spending at the government's discretion (*unreserved fund balance*), an increase of \$1,310,557 over the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$5,467,606, an increase of \$1,105,387 from the prior year. The unreserved fund balance is about 18 % of the total general fund expenditures for the fiscal year.
- Cherokee County issued \$2,822,605 of new debt during the year. One financing was for \$2.25 million for the construction of the new offices for the Sheriff at the detention center. One financing was for \$555,000, for equipment and \$18,500 for water Improvements for Andrews and Murphy.
- The new Wellness Center and Pool opened in June 2007. The operations of the center are reported as an enterprise fund in the County's statements.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Cherokee County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Cherokee County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 6) 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: 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, 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 funding information about the County's pension plans.

Government-wide Financial Statements

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

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gage the County's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities 2) business-type activities. 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 new Pool and Wellness Center.

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

Fund Financial Statements

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

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of

Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Cherokee County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

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 financials statements. Cherokee County uses enterprise fund to account for the Wellness Center. This fund is the same as those separate activities shown in the business-type activities in the Statement of Net Assets.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Cherokee County has four fiduciary funds of which two are trust funds and two 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 pages 29 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. Required supplementary information can be found beginning on page 53 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Cherokee County exceeded liabilities by \$13,847,031 as of June 30, 2007. The County's net assets increased by \$5,983,266 for the fiscal year ended June 30, 2007.

One of the largest portions of net assets \$18,735,244 reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Cherokee County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Cherokee County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

There is a negative unrestricted balance \$12,773,107. This is a result of the County debt for school Construction and water and sewer improvements. The assets, which were acquired, are carried on the books of other governmental units.

Net assets:

Cherokee County's Net Assets

Figure 2

CHEROKEE COUNTY'S NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 24,888,437	\$ 20,996,966	\$ 108,054	-	\$ 24,996,491	\$ 20,996,966
Capital assets	17,372,863	17,372,863	3,411,213	-	20,784,076	
Total assets	\$ 42,261,300	\$ 38,369,829	\$ 2,668,566	\$ -	\$ 45,780,567	\$ 20,996,966
Long-term liabilities outstanding	\$ 28,236,647	\$ 25,275,663	\$ -	-	28,236,647	25,275,663
Other liabilities	2,600,628	5,230,401	245,560	-	2,846,188	5,230,401
Total liabilities	30,837,275	30,506,064	245,560	-	31,082,835	30,506,064
Net assets:						
Invested in capital assets, net of related debt	15,298,989	10,792,607	3,436,255		18,735,244	10,792,607
Restricted	7,884,894	7,843,412			7,884,894	7,843,412
Unrestricted	(11,759,858)	(10,772,254)	(1,013,249)		(12,773,107)	(10,772,254)
Total net assets	\$ 11,424,025	\$ 7,863,765	\$ 2,423,006	\$ -	\$ 13,847,031	\$ 7,863,765

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

- Continued diligence in the collection of property taxes resulted in an increase in the collection ratio to the highest rate in years, which was over 96% for real property..

Cherokee County Changes in Net Assets
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 4,075,506	\$ 4,165,352	\$ 25,451		\$ 4,100,957	\$ 4,165,352
Operating grants and contributions	4,999,737	3,681,380			4,999,737	3,681,380
Capital grants and contributions	1,498,507	3,334,353	999,058		2,497,565	3,334,353
General revenues:						
Property taxes	14,646,674	13,297,198			14,646,674	13,297,198
Other taxes	8,370,760	7,803,049			8,370,760	7,803,049
Grants and contributions not restricted to specific programs	1,037,113	840,000			1,037,113	840,000
Other	1,128,452	483,056			1,128,452	483,056
Total revenues	35,756,749	33,604,388	1,024,509	-	36,781,258	33,604,388
Expenses:						
General government	3,472,678	3,798,446			3,472,678	3,798,446
Public safety	8,711,159	8,088,889			8,711,159	8,088,889
Transportation	1,444,095	553,497			1,444,095	553,497
Economic and physical development	581,624	1,373,262			581,624	1,373,262
Human services	8,206,742	7,703,413			8,206,742	7,703,413
Cultural and recreation	525,509	364,914	37,725		563,234	364,914
Education	5,399,895	4,030,553			5,399,895	4,030,553
Interest on long-term debt	772,010	428,963			772,010	428,963
Environmental protection	1,646,555	1,638,340			1,646,555	1,638,340
Total expenses	30,760,267	27,980,277	37,725	-	30,797,992	27,980,277
Increase (Decrease) in net assets	4,996,482	5,624,111	986,784	-	5,983,266	5,624,111
Net assets, July 1 (restated)	6,427,543	2,239,654	1,436,222		7,863,765	2,239,654
Net assets, June 30	\$ 11,424,025	\$ 7,863,765	\$ 2,423,006	\$ 1,436,222	\$ 13,847,031	\$ 7,863,765

Governmental activities. Governmental activities increased the County's net assets by \$4,996,482. Key elements of this change are as follows:

- Increase in the County's tax collection rate and higher sales tax collections \$1,912,635.

Business-type activities. Business-type activities increased the County's net assets by \$986,784. Key elements of this change are contributions and a grant for a combined \$999,058 used for the construction of the Pool and Wellness Center

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of Cherokee County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Cherokee County's financing requirements.

Specifically, unreserved fund balance 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, unreserved fund balance of the General Fund was \$5,112,816 while total fund balance was \$9,473,422. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 18 percent of total General Fund expenditures, while total fund balance represents 31 percent of that same amount.

At June 30, 2007, the governmental funds of Cherokee County reported a combined fund balance of \$16,975,400 a 6 percent increase from last year.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$1,875,534 a six percent change.

Capital Asset and Debt Administration

Capital Assets. Cherokee County's capital assets for its governmental type activities as of June 30, 2007, totals \$21,674,758 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles. Major capital asset transactions during the year include construction in progress at the airport, the detention center. Others additions are vehicles and equipment for the landfill.

Cherokee County's Capital Assets

Figure 4

**CHEROKEE COUNTY'S CAPITAL ASSETS
(net of depreciation)**

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 4,669,122	\$ 4,717,309	\$ -	\$ -	\$ 4,669,122	\$ 4,717,309
Buildings	2,465,978	2,501,305	3,084,351	-	5,550,329	2,501,305
Improvements	6,976,412	4,691,999			6,976,412	4,691,999
Equipment	783,505	391,885	88,138	-	871,643	391,885
Computers & Other						
Electronic Equipmnet	760,075	1,076,710	6,662		766,737	1,076,710
Vehicles and motorized equipment	890,022	1,012,435			890,022	1,012,435
Construction in progress	5,129,644	2,804,655	232,062		5,361,706	2,804,655
Total	\$ 21,674,758	\$ 17,196,298	\$ 3,411,213	\$ -	\$ 25,085,971	\$ 17,196,298

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

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

Long-term Debt.

Cherokee County's Outstanding Debt

Figure 5

Governmental Activities		Business-Type Activities		Total	
2007	2006	2007	2006	2007	2006
\$ 25,132,547	\$ 25,161,113	\$ -	\$ -	\$25,132,547	\$25,161,113
26,852	79,015			26,852	79,015
				-	-
				-	-
2,492,203	2,285,563			2,492,203	2,285,563
491,051	415,033			491,051	415,033
76,321	62,651			76,321	62,651
				-	-
\$ 28,218,974	\$ 28,003,375	\$ -	\$ -	\$28,218,974	\$28,003,375

Cherokee County issued new debt during the year. One loan was for \$2,249,500 which was for sheriff's offices at the new detention facility. Another was \$555,000 for asset purchases and the balance was \$18,105 for the final draw on the State of NC water improvement loan.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt ceiling for Cherokee County is about \$196,669,000.

Additional information regarding Cherokee County's long-term debt can be found in note 5. Beginning on page 50 of this audited financial report.

Budget Highlights for the Fiscal Year Ending June 30, 2008

Governmental Activities: The County's property valuation will continue to increase as new building and development continues. The County is seeing a slow down in residential construction with fewer septic and building permits than was the pace in the prior year. Sales tax collections are expected to increase modestly. The County will use the small increases in revenues to finance programs currently in place.

The County is planning to have the new jail facility open in the 07-08 fiscal year which will end the necessity of prisoners being housed in out of county facilities. The new pool and wellness center which opened in June 2007 will have a full year of operations.

Budgeted expenditures in the General Fund are expected to rise approximately 2% to \$32,999,000. The largest increments are in employee compensation, including funding compensation and benefits adjustments.

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 Finance Officer, Cherokee County, 75 Peachtree St. Murphy NC 28906.

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Cherokee County, North Carolina
Statement of Net Assets
June 30, 2007

	Primary Government		Total
	Governmental Activities	Business -type Activites	
ASSETS			
Cash and cash equivalents	\$ 7,877,774	\$ 108,054	\$ 7,985,828
Investments	1,243,368		1,243,368
Receivables (net)	1,546,465		1,546,465
Due from other governments	2,337,137		2,337,137
Internal Balances	850,701	(850,701)	-
Prepaid items			-
Restricted cash and cash equivalents	6,695,581		6,695,581
Deferred charge - issuance costs	35,515		35,515
Capital assets:			-
Land, improvements, and construction in progress	9,798,765		9,798,765
Other capital assets, net of depreciation	11,875,994	3,411,213	15,287,207
Total capital assets	21,674,759	3,411,213	25,085,972
Total assets	42,261,300	2,668,566	44,929,866
LIABILITIES			
Accounts payable and accrued expenses	2,156,302	163,215	2,319,517
Unearned revenue	269,070	82,345	351,415
Accrued interest payable	192,929		192,929
Long-term liabilities:			-
Due within one year	2,639,229		2,639,229
Due in more than one year	25,579,745		25,579,745
Total liabilities	30,837,275	245,560	31,082,835
NET ASSETS			
Invested in capital assets, net of related debt	17,645,212	3,436,255	21,081,467
Restricted for:			-
Capital Projects	6,695,581		6,695,581
Debt Service	1,189,313		1,189,313
Unrestricted (deficit)	(14,106,081)	(1,013,249)	(15,119,330)
Total net assets	\$ 11,424,025	\$ 2,423,006	\$ 13,847,031

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

Carolina County, North Carolina
Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business -type Activites	Total
Primary government:							
Governmental Activities:							
General government	\$ 3,472,678	\$ 460,791	\$ 369,556		\$ (2,642,331)		(2,642,331)
Public safety	8,711,159	1,258,003	875,456		(6,577,700)		(6,577,700)
Transportation	1,444,095	219,610	-	1,421,282	196,797		196,797
Economic and physical development	581,624	-	-	-	(581,624)		(581,624)
Environmental Protection	1,646,555	1,168,199	56,683		(421,673)		(421,673)
Human services	8,206,742	968,903	3,318,042	-	(3,919,797)		(3,919,797)
Cultural and recreation	525,509	-	-	-	(525,509)		(525,509)
Education	5,399,895	-	380,000	77,225	(4,942,670)		(4,942,670)
Interest on long-term debt	772,010	-	-		(772,010)		(772,010)
Total governmental activities	30,760,267	4,075,506	4,999,737	1,498,507	(20,186,517)		(20,186,517)
							0
Buisness- type Activites							0
Wellness Center	37,725	25,451		999,058		986,784	986,784
Total primary government	30,797,992	4,100,957	4,999,737	2,497,565	(20,186,517)	986,784	(19,199,733)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					14,646,674		14,646,674
Local option sales tax					7,441,614		7,441,614
Other taxes and licenses					929,146		929,146
Grants and contributions not restricted to specific programs					1,037,113		1,037,113
Investment earnings, unrestricted					877,673		877,673
Miscellaneous, unrestricted					250,779		250,779
Total general revenues					25,182,999	-	25,182,999
Change in net assets					4,996,482	986,784	5,983,266
Net assets-beginning					6,427,543	1,436,222	7,863,765
Net assets-ending					\$ 11,424,025	\$ 2,423,006	13,847,031

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

Cherokee County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2007

Major Funds

	General	Detention Center	Total Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,289,399	\$ -	\$ 588,375	\$ 7,877,774
Restricted Cash	74,776	6,620,805	-	6,695,581
Investments	55,109	-	1,188,259	1,243,368
Receivables, net:	-	-	-	-
Taxes	752,448	-	92,640	845,088
Accounts	528,283	-	-	528,283
Due from other governments	2,337,137	-	-	2,337,137
Due from other Funds	867,017	-	-	867,017
Total assets	<u>\$ 11,904,169</u>	<u>\$ 6,620,805</u>	<u>\$ 1,869,274</u>	<u>\$ 20,394,248</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,277,157	\$ 804,151	\$ 74,994	\$ 2,156,302
Due to other funds	-	16,316	-	16,316
Deferred revenue Taxes	1,128,075	-	92,640	1,220,715
Unearned revenue	25,515	-	-	25,515
Total liabilities	<u>2,430,747</u>	<u>820,467</u>	<u>167,634</u>	<u>3,418,848</u>
Fund balances:				
Reserved for:				
School Capital Outlay	247,178	-	-	247,178
Encumbrances	51,733	-	18,601	70,334
State statute	3,706,905	-	-	3,706,905
Unreserved:				
Designated for subsequent Years' expenditures	-	5,800,338	91,971	5,892,309
Designated for Health Department	147,750	-	-	147,750
Designated for Law Enforcement	411,284	-	-	411,284
Designated for School Capital Outlay	795,756	-	-	795,756
Undesignated	4,112,816	-	1,591,068	5,703,884
Total fund balances	<u>9,473,422</u>	<u>5,800,338</u>	<u>1,701,640</u>	<u>16,975,400</u>
Total liabilities and fund balances	<u>\$ 11,904,169</u>	<u>\$ 6,620,805</u>	<u>\$ 1,869,274</u>	<u>\$ 20,394,248</u>

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

Exhibit 3.1

**Cherokee County, North Carolina
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2007**

Total Fund Balances for Governmental Funds (Exhibit 3)	<u>16,975,400</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,674,759
	-
Deferred Costs of loans are not financial resources and therefore are not reported in the funds	35,515
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	173,094
Liabilities for earned but deferred revenues in fund statements.	977,160
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds (Note 4).	(28,411,903)
Net assets of governmental activities	<u>\$ 11,424,025</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 Balance
Governmental Funds
For the Year Ended June 30, 2007

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Detention Center	Total Non-Major Funds	
REVENUES				
Ad valorem taxes	\$ 13,517,192	\$ -	\$ 1,259,160	\$ 14,776,352
Local option sales tax	7,441,614			7,441,614
Other taxes and licenses	1,330,581		272,718	1,603,299
Unrestricted intergovernmental	1,037,113		-	1,037,113
Restricted intergovernmental	4,314,936		1,533,245	5,848,181
Restricted Other			37,247	37,247
Grants			-	-
Permits and fees	1,507,076			1,507,076
Sales and services	2,507,093		-	2,507,093
Investment earnings	440,653	386,528	50,492	877,673
Miscellaneous	353,353		-	353,353
Total revenues	32,449,611	386,528	3,152,862	35,989,001
EXPENDITURES				
Current:				
General government	3,005,175		327,367	3,332,542
Public safety	7,077,675	3,962,272	1,379,833	12,419,780
Transportation	585,298		1,600,794	2,186,092
Economic and physical development	577,887		-	577,887
Environmental Protection	1,620,875		-	1,620,875
Human services	8,157,454		-	8,157,454
Cultural and recreational	519,673		-	519,673
Education	5,399,895		-	5,399,895
Principal retirement	2,883,163		-	2,883,163
Interest and other charges	694,822		-	694,822
Total Expenditures	30,521,917	3,962,272	3,307,994	37,792,183
Excess (deficiency) of Revenues over Expenditures	1,927,694	(3,575,744)	(155,132)	(1,803,182)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	486,677	486,677
Transfers to other funds	(486,677)		-	(486,677)
Debt issued	481,417	2,249,500	73,583	2,804,500
Total other financing sources (uses)	(5,260)	2,249,500	560,260	2,804,500
Net change in fund balance	1,922,434	(1,326,244)	405,128	1,001,318
Fund balances-beginning	7,550,988	7,126,582	1,296,512	15,974,082
Fund balances-ending	\$ 9,473,422	\$ 5,800,338	\$ 1,701,640	\$ 16,975,400

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, 2007

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

Net changes in fund balances - total governmental funds	\$ 1,001,318
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	4,422,569
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(129,678)
Loan Costs that have been Capitalized	6,917
1 Accrued Interest increase	(86,171)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	80,729
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:	
Accrued Paid time off	(75,586)
Landfill Closure Cost	(206,640)
Pension Accrual	(13,670)
Amortization of Loan Cost	(3,306)
Loss on Sale of Assets	-
Total changes in net assets of governmental activities	\$ 4,996,482

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, 2007

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 12,648,265	\$ 13,504,265	\$ 13,517,192	\$ 12,927
Local option sales tax	7,413,279	7,413,279	7,441,614	28,335
Other taxes and licenses	141,000	942,526	1,330,581	388,055
Unrestricted intergovernmental	783,200	1,033,200	1,037,113	3,913
Restricted intergovernmental	3,814,950	4,233,342	4,314,936	81,594
Permits and fees	1,599,356	1,547,553	1,507,076	(40,477)
Sales and services	3,027,330	2,362,460	2,507,093	144,633
Investment earnings	250,400	420,400	440,653	20,253
Miscellaneous	120,653	216,942	353,353	136,411
Total revenues	<u>29,798,433</u>	<u>31,673,967</u>	<u>32,449,611</u>	<u>775,644</u>
Expenditures				
Current:				
General government	3,236,273	3,105,894	3,005,175	100,719
Public safety	6,399,065	7,346,014	7,077,675	268,339
Transportation	575,227	630,518	585,298	45,220
Economic and physical development	620,191	587,753	577,887	9,866
Environmental Protection	1,599,537	1,683,477	1,620,875	62,602
Human services	8,697,839	8,474,933	8,157,454	317,479
Cultural and recreational	527,837	558,498	519,673	38,825
Intergovernmental:				
Education	4,818,709	5,904,474	5,399,895	504,579
Debt service:				
Principal retirement			2,883,163	
Interest and other charges			694,822	
Total Debt Service	<u>3,579,727</u>	<u>3,579,727</u>	<u>3,577,985</u>	<u>1,742</u>
Total expenditures	<u>30,054,405</u>	<u>31,871,288</u>	<u>30,521,917</u>	<u>1,349,371</u>
Revenues over (under) expenditures	<u>(255,972)</u>	<u>(197,321)</u>	<u>1,927,694</u>	<u>2,125,015</u>
Other financing sources (uses):				
Contingency		-	-	-
Use of Fund Balance	272,649	213,998		(213,998)
Transfers from other funds	-	-	-	-
Transfers to other funds	(486,677)	(486,677)	(486,677)	-
Installment purchase obligations issued	470,000	470,000	481,417	11,417
Total other financing sources (uses)	<u>255,972</u>	<u>197,321</u>	<u>(5,260)</u>	<u>(202,581)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,922,434</u>	<u>\$ 1,922,434</u>
Fund balances:				
Beginning of year			7,550,988	
End of year, June 30			<u>\$ 9,473,422</u>	

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

Cherokee County, North Carolina
Statement of Net Assets
Pool and Wellness Center
Proprietary Fund
June 30, 2007

ASSETS

Current assets:

Cash and cash equivalents	\$ 108,054
	-
Total current assets	<u>108,054</u>

Noncurrent assets:

Capital assets:

	-
Other capital assets, net of depreciation	<u>3,411,213</u>
Total capital assets	<u>3,411,213</u>
Total noncurrent assets	<u>3,411,213</u>
Total assets	<u>3,519,267</u>

LIABILITIES

Current liabilities:

Accounts payable	163,215
Customer deposits	82,345
Compensated absences	-
Due to Other Funds	<u>850,701</u>
Total current liabilities	<u>1,096,261</u>

Noncurrent liabilities:

Liabilities payable from restricted assets:

Compensated absences	-
Total noncurrent liabilities	-
Total liabilities	<u>1,096,261</u>

NET ASSETS

Invested in capital assets, net of related debt	3,436,255
Unrestricted	<u>(1,013,249)</u>
Total net assets	<u>\$ 2,423,006</u>

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

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Exhibit 7

Cherokee County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Pool and Wellness Center
Proprietary Fund
For the Year Ended June 30, 2007

OPERATING REVENUES	
Membership & Fees	\$ 25,451
Total operating revenues	<u>25,451</u>
OPERATING EXPENSES	
Salaries & Employee Benefits	18,802
Supplies	1,218
Travel	732
Utilities	2,908
Other	2,653
Advertising	63
Depreciation	8,258
Total operating expenses	<u>34,634</u>
Operating income (loss)	<u>(9,183)</u>
NONOPERATING REVENUES (EXPENSES)	
Loss on fire Damage	<u>(3,091)</u>
Total nonoperating revenue (expenses)	<u>(3,091)</u>
Income (loss) before contributions and transfers	(12,274)
Capital contributions	999,058
Transfers from other funds	-
Change in net assets	<u>986,784</u>
Total net assets, beginning	<u>1,436,222</u>
Total net assets, ending	<u>\$ 2,423,006</u>

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

Cherokee County, North Carolina
Statement of Cash Flows
POOL and Wellness Center
Enterprise Fund
For The Fiscal Year Ended June 30, 2007

Cash flows from operating activities:		
Cash received from customers	\$ 25,451	
Cash paid for goods and services	(1,877)	
Cash paid to employees for services	(18,802)	
Customer deposits received	82,346	
Net cash provided by operating activities	<u>87,118</u>	
Cash flows from noncapital financing activities		
Advance from General Fund	<u>20,937</u>	
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(3,034,145)	
Reduction in deferred Revenue	(272,996)	
Advance from General Fund	829,764	
Loss on Fire Damage	(3,091)	
Capital contributions	<u>891,921</u>	
Net cash used by capital and related financing activities	<u>(1,588,547)</u>	
Net increase (decrease) in cash and cash equivalents	(1,480,492)	
Cash and cash equivalents, beginning	<u>1,588,547</u>	
Cash and cash equivalents, ending	<u>\$ 108,055</u>	
Non Cash Capital Activities		
Contribution of Capital Assets	<u>\$ 134,010</u>	

The notes are an integral part of this statement

Reconciliation of operating income to net cash provided by operating activities:

Operating income (Loss)	\$ (9,183)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	8,258
Changes in assets and liabilities:	
Increase (decrease) in customer deposits	82,345
Increase in Accounts Payable	5,698
Increase in accrued vacation pay	-
Total adjustments	<u>96,301</u>
Net cash provided by operating activities	<u>\$87,118</u>

Pool and Wellness
Center
Fund

The notes are an integral part of this statement

**Cherokee County, North Carolina
Statement of Fiduciary Net Assets
For the Year Ended June 30, 2007**

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 89,797
	<u>89,797</u>
LIABILITIES AND NET ASSETS	
Liabilities:	
Miscellaneous Liabilities	\$ 83,187
Intergovernmental Payables	6,610
Total liabilities	<u>89,797</u>
	<u>89,797</u>
Net Assets	<u>\$ -</u>

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

Cherokee County, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2007

I. Summary of Significant Accounting Policies.

The accounting policies of Cherokee County (County) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity - The County, which is governed by a three-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10 (hereinafter references to the North Carolina General Statutes will be cited as G.S).

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type*-activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, enterprise, and fiduciary* – are presented. The emphasis of

fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

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

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Detention Center Capital Fund. This fund accounts for the construction of a new detention facility and Sheriff's offices.

The County reports the following major Enterprise fund:

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

The County reports the following fund types:

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Cherokee County Board of Education; the Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for the two municipalities in the County; the Sheriff trust fund which accounts for funds collected by the sheriff as an agent and for funds held for prisoners of the county detention facility.

Measurement Focus, Basis of Accounting

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

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

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Cherokee County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2006 through February 2007 apply to the fiscal year ended June 30, 2007. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. For motor vehicles that are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2007 because they are intended to finance the County's operations during the 2008 fiscal year.

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

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

All governmental activities of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone, Fire District, and Revaluation Special Revenue Fund, the Bear Paw Service District and the Debt Service Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Victims Advocate Project Fund, the Scattered Housing Special Fund, and the Capital Projects Funds.

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

D. **Assets, Liabilities, and Fund Equity**

1. **Deposits and Investments**

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

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

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

2. Cash and Cash Equivalents

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

3. Restricted Cash

The unexpended loan proceeds in the General Fund and the Detention Center Capital fund are classified as restricted assets because their use is completely restricted to the purpose for which the loans were issued

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, 2006.

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. Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government –wide and fund financial statements.

7. Capital Assets

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

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

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

	Years
Buildings	50
Improvements	10-25
Furniture and equipment	10
Vehicles	4
Computer & Electronic equipment	4

8. Long-term Obligations

In the government-wide financial long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

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

9. Compensated Absences

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

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

10. Net Assets/Fund Balances

Net Assets

Net assets in government-wide fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

In prior years the County reported as a governmental fund the Wellness Center in a capital project fund. This fund was consolidated into the Pool and Wellness Center Enterprise Fund in the current fiscal year. The Net Assets as of July 1, 2006 were \$1,436,222.

Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved for School Capital Outlay – The portion of sales taxes required to be used for school capital outlay that has not been expended.

Reserved for encumbrances - portion of fund balance available to pay for any commitments related to purchase orders and contracts that remain unperformed at year-end.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables that are not offset by deferred revenues.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2006-2007 budget ordinance.

Designated for Health Department – Portion of fund balance designated for future health department purposes.

Designated for Schools – Portion of fund balances designated for future school capital outlay.

Designated for Law Enforcement – Portion of fund balance designated for future law enforcement expenditures.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's, deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's, agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by their agent in the entity's' name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of

CHEROKEE COUNTY, NC Notes to Basic Financial Statements

the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2007, the County's deposits had a carrying amount of \$14,771,206 and a bank balance of \$15,016,526. Of the bank balance, \$472,059 was covered by federal depository insurance, and \$14,294,407 in deposits was covered by collateral held under the Pooling Method.

At June 30, 2007, Cherokee County had \$2,703 cash on hand.

2. Investments

The County's investments are categorized to give an indication of the level of custodial risk assumed by the entity at year-end. In the following table, Column A includes investments that are insured or registered or for which the securities are held by the County or their agents in the entity's name. Column B includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the County's. Column C includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the County's name. The County's investments in the North Carolina Capital Management Trust are exempt from risk categorization because the County does not own any identifiable securities in these mutual funds. At June 30, 2007, the County's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 6 Months</u>
Commercial Paper	\$ 760,039	\$ 760,039
US Government Agencies	428,219	428,219
NC Capital Management Trust:		
Cash Portfolio	55,109	N/A
TOTAL	\$ 1,243,367	\$ 1,188,258

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County had no formal policy on managing credit risk. As of June 30, 2007, the County's investments in commercial paper were rated A1 by Standard & Poor's, and P1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAA by Standard & Poor's AND Aaa by Moody's Investor Services as of June 30, 2007.

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 \$760,039 investment in commercial paper is uninsured and unregistered investment for which the securities are held by the counterparty, or by its trust department but not in the County's name. The County had no policy on custodial credit risk.

Concentration of Credit Risk. The County places no limit on the amount that the County may invest in any one issuer. More than 96 percent of the County's investments are in General Elec. Capital Corporation's commercial paper and the Federal Home Loan Bank securities. These investments are 61% and 35% respectively of the County's total investments.

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

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

Year Levied	Tax	Interest	Total
2003	\$ 376,572	\$ 102,920	\$ 479,492
2004	377,456	75,491	452,947
2005	396,425	64,419	460,844
2006	349,628	25,348	374,976
Total	<u>\$ 1,500,081</u>	<u>\$ 268,178</u>	<u>\$ 1,768,259</u>

4. Receivables

Receivables at the government-wide level at June 30, 2007, were as follows:

	Accounts	Taxes	Due from Other Governments	Total
Governmental Activities:				
General	\$ 644,908	\$ 1,251,544	\$ 2,337,137	\$ 4,233,589
Other Governmental	-	92,640	-	92,640
Total receivables	644,908	1,344,184	2,337,137	4,326,229
Allowance for doubtful accounts	(116,625)	(326,002)	-	(442,627)
Total-governmental activities	<u>\$ 528,283</u>	<u>\$ 1,018,182</u>	<u>\$ 2,337,137</u>	<u>\$ 3,883,602</u>

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

State of NC Local Option Sales Tax	2,047,810
State of NC Other	257,924
Other County Governments	10,829
Town of Andrews	20,574
Total	<u>2,337,137</u>

5. Capital Assets

Primary Government

Capital Asset activity for the year ended June 30, 2007 was as follows:

Governmental Activities:

	Beginning Balances	Increases	Transfer	Decreases	Ending Balances
Capital assets not being depreciated:					
Land	\$ 4,717,309	\$ -	\$ -	\$ 48,187	\$ 4,669,122
Construction in progress	2,804,655	3,982,382	(1,657,394)		5,129,644
Total capital assets not being depreciated	<u>7,521,964</u>	<u>3,982,382</u>	<u>(1,657,394)</u>	<u>48,187</u>	<u>9,798,766</u>
Capital assets being depreciated:					
Buildings	4,914,266	49,692	0		4,963,957
Other Improvements	6,825,140	1,127,991	1,657,394		9,610,525
Equipment	1,343,526	555,342		333,150	1,565,718
Computers & other Electronic Equipment	2,496,261	27,308			2,523,569
Vehicles and motor equipment	3,153,011	294,471		435,181	3,012,301
Total capital assets being depreciated	<u>18,732,204</u>	<u>2,054,803</u>	<u>1,657,394</u>	<u>768,331</u>	<u>21,676,069</u>
Less accumulated depreciation for:					
Buildings	2,412,961	85,018			2,497,979
Other improvements	2,133,141	500,972			2,634,113
Equipment	951,641	127,985		297,413	782,213
Computers & other Electronic Equipment	1,419,551	343,943			1,763,494
Vehicles and motor equipment	2,140,576	398,233		416,532	2,122,277
Total accumulated depreciation	<u>9,057,870</u>	<u>1,456,151</u>	<u>-</u>	<u>713,944</u>	<u>9,800,077</u>
Total capital assets being depreciated, net	<u>9,674,334</u>				<u>11,875,993</u>
Governmental activity capital assets, net	<u>\$ 17,196,298</u>				<u>\$ 21,674,758</u>

Business Type activities:

	Beginning Balances	Increases	Transfer	Decreases	Ending Balances
Business Type Activities					
Capital assets not being depreciated:					
Construction in progress	\$ 176,566	\$ 232,063	\$ (176,566)	\$ -	\$ 232,063
Total capital assets not being depreciated	176,566	232,063	(176,566)	-	232,063
Capital assets being depreciated:					
Buildings	-	2,910,453	176,566		3,087,019
Other Improvements	-				-
Equipment	-	92,776	-	-	92,776
Computers & other Electronic Equipment	-	7,613			7,613
Total capital assets being depreciated	-	3,010,843	176,566	-	3,187,409
Less accumulated depreciation for:					
Buildings		2,668			2,668
Other improvements					-
Equipment		4,639			4,639
Computers & other Electronic Equipment		952			952
Total accumulated depreciation	-	8,258	-	-	8,258
Total capital assets being depreciated, net	-				3,179,150
Governmental activity capital assets, net	\$ 176,566				\$ 3,411,213

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

Governmental Activities:

General government	\$ 177,471
Public safety	515,112
Transportation	177,565
Economic and physical development	9,042
Human services	143,526
Environmental Protection	404,715
Cultural and recreational	28,719
Total depreciation expense	\$ 1,456,151

Construction commitments

The County has active construction projects as of June 30, 2007. The projects include the jail and sheriff's Office, the airport, and the Pool and Wellness Center projects. At June 30, 2007, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Airport Improvements	\$ 20,110	\$ 1,146,556
Wellness Center	3,296,754	238,024
Detention Facility	5,109,533	6,009,355
Total	\$ 8,426,397	\$ 7,393,935

Subsequent to June 30, 2007 the county borrowed an additional amount of \$1,000,000 to finance the Wellness Center Construction.

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2007, were as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General	\$ 580,555	\$ 696,602	\$ 1,277,157
Other Governmental	879,028	117	879,145
Total-governmental activities	\$ 1,459,583	\$ 696,719	\$ 2,156,302

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. Cherokee County contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.95% and 4.78%, respectively, of annual covered payroll. The contribution requirements of members and of Cherokee County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2007, 2006, and 2005 were \$403,468, \$368,943, and \$335,284 respectively. The contributions made by the County equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

Cherokee County administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the County’s qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2006, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled	
to but not yet receiving benefits	-
Active plan members	<u>24</u>
Total	<u>24</u>

2. Summary of Significant Accounting Policies:

Basis of Accounting. Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Investments are reported at fair value. Short-term money market debt instruments, deposits, and repurchase agreements, are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price. At June 30, 2007 there were no investments.

3. Contributions.

CHEROKEE COUNTY, NC Notes to Basic Financial Statements

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 by making contributions based 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.

The annual required contribution for the fiscal year ended June 30, 2007 was determined as part of the December 31, 2005 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases of 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2005 was 25 years.

Employer annual required contribution	\$	12,877
Interest on net pension obligation		4,542
Adjustment to annual required contribution		(3,749)
Annual pension cost		13,670
Employer contributions made for fiscal year ending 6-30-2006		-
Increase in net pension obligation		13,670
Net pension obligation at beginning of year		62,651
Pension obligation at end of fiscal year	\$	76,321

3 Year Trend Information

Fiscal	Annual Pension	Percentage of Net Pension	Net Pension
Year Ended	<u>Cost (APC)</u>	APC Contributed	Obligation
6/30/2005	\$10,681	00%	\$ 49,909
6/30/2006	\$12,742	00%	\$ 62,651
6/30/2007	\$13,670	00%	\$ 76,321

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2007 were \$51,323, which consisted of \$45,163 from the County and \$6,160 from the law enforcement officers.

d. 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.

e. Registers of Deeds' Supplemental Pension Fund

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

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2007, the County's required and actual contributions were \$13,205.

f. Other Postemployment Benefits - Cherokee County

According to a County resolution, the County provides health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least thirty years of creditable service with the County. The County pays the cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the County's group rates. Currently two retirees are eligible for postretirement health benefits. For the fiscal year ended June

30, 2007, the County paid \$12,162 for postretirement health benefit premiums. The County self funds health care coverage, and provides stop loss protection through private insurers.

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2007, the County made contributions to the State for death benefits of \$12,183. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 90% and 10% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

2. Closure and Post closure 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 \$2,492,203 as landfill closure and post closure care liability at June 30, 2007 represents a cumulative amount reported to-date based on the use of 71.4 percent of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post closure care of \$745,878 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2006. The County expects to close the landfill facility in approximately 2030. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that helps determine if a unit is financially able to meet closure and post closure care requirements. However if, additional post closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or by future tax revenues.

3. Deferred / Unearned Revenues

The balance in deferred or unearned revenue on the fund statements and unearned revenues on the government wide statements at year-end is composed of the following elements:

	Unearned or Deferred Revenue	Full Accrual Unearned Revenue
Governmental Activities:		
Prepaid taxes not yet earned	\$ 243,555	\$ 243,555
Grants received not yet earned	25,515	25,515
Taxes receivable (net)	977,160	
Total	<u>\$ 1,246,230</u>	<u>\$ 269,070</u>
Business Type Activities:		
Unearned Memberships	<u>\$ 82,345</u>	<u>\$ 82,345</u>

4. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$5 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, worker’s compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2million limit for liability coverage, \$600,000 aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers’ compensation. For medical and dental insurance, the county is reinsured through the pool for individual losses in excess of \$50,000 and aggregate annual losses in excess of 115% of expected claims. The pool is reinsured through a commercial carrier for individual losses in excess of \$100,000.

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

The County does not carry flood insurance.

5. Long-Term Obligations

a. Capital Leases

CHEROKEE COUNTY, NC Notes to Basic Financial Statements

The County has entered into an agreement to lease certain software. The 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 its inception.

For Cherokee County, the agreement was executed on June 15, 2002 for the lease of software and equipment and requires 20 quarterly payments of 13,623.

Under the terms of the agreement, title passes to the County at the end of the lease term.

For Cherokee County, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007 were as follows:

Year Ended June 30	Total
2008	27,247
Total minimum lease payments	\$ 27,247
Less: amount representing interest	395
Present value of the minimum lease payments	\$ 26,852

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, 2007:

	Balance			Balance		Current
	June 30, 2006	Increases	Decreases	June 30, 2007	Balance	Portion of
Installment purchases	\$ 25,161,113	\$ 2,822,605	\$ 2,851,171	\$ 25,132,547	\$ 2,612,377	
Capital Lease	79,015		52,163	26,852	26,852	
Landfill closure costs	2,285,563	206,640		2,492,203		
Vacation payable	415,033	409,691	333,673	491,051		
Pension benefit obligation	62,651	13,670		76,321		
Total	\$ 28,003,375	\$ 3,452,606	\$ 3,237,007	\$ 28,218,974	\$ 2,639,229	

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

As authorized by State law [G.S.160A-20 and 153A-158.1], the County financed various property acquisitions for use by Cherokee County Board of Education by installment purchase. The installment purchase was issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with Cherokee County Board of Education that transfers the rights and responsibilities for maintenance and insurance of the property

to the Board of Education. The lease calls for nominal annual lease payments and also contains a bargain purchase option. The lease term is the same as that of the installment purchase obligation. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded by the Board of Education.

b. Installment Purchases

The county has used installment purchases for equipment, vehicles, and software, and buildings, and water Improvements.

	June 30, 2006	Additions	Retirements	June 30, 2007
Installment purchase \$9,800,000, 30 semi-annual payments of \$446,541 including interest at an annual rate of 3.79% through August 2011 issued 8-16-98 for schools.	\$4,396,448		\$733,340	\$3,663,108
Installment purchase \$35,000, 180 monthly payments of \$334 including interest at an annual rate of 8.0% through April 2011 issued 4-04-96 for industrial park land.	16,045		2,833	13,212
Installment purchase \$3,680,000, 30 semi-annual payments of \$163,122 including interest at an annual rate of 3.83% through June 2013 issued 6-04-98 for Schools 33% Sewer Improvements 66%	1,986,657		252,550	1,734,107
Installment purchase \$1,300,000, 20 semi-annual payments of \$79,699 including interest at an annual rate of 3.27% through August 2007 issued 7-30-97 for water improvements	231,484		153,510	77,974
Installment purchase \$1,500,000, 12 semi-annual payments of \$125,000 plus interest at an annual rate of 3.32% through December 2009, issued 12-17-03 for landfill cell construction	874,988		250,000	624,988
Installment purchase 2,170,312, 16 quarterly payments of \$135,645 plus interest at an annual rate of 2.74% through December 2007 issued 12-17-03 for School Land 9%, Equipment 67%, Landfill construction refinancing 24%	813,650		542,578	271,072

	June 30, 2006	Additions	Retirements	June 30, 2007
Installment purchase \$555,000, 8 semi annual payments of \$75,290, including interest at an annual rate of 3.71% through February 2011 issued 2-28-07 for Equipment and software		555,000		555,000
Installment purchase \$278,800, 60 quarterly payments of \$6,663, including interest at an annual rate of 5.07% through June 2016 issued 6-21-01 for office bldg.	207,818		16,142	191,676
Installment purchase \$310,000, 8 annual payments of \$46,522, including interest at an annual rate of 4.25% through May 2013 issued 5-27-05 for vehicles.	276,653		134,764	141,889
Installment purchase \$1,750,000, 32 semi annual principal payments of \$58,333 plus including interest at an annual rate of 4.31% through June 2017 issued 12-17-02 for schools.	1,341,666		116,667	1,224,999
Installment purchase \$350,000, 20 quarterly payments of \$22,642, including interest at an annual rate of 3.77% through October 2006 for land school land.	14,385		14,385	-
Installment purchase, 1 payments of \$3,250,000, on December 18, 2016 at 0% interest, issued 12-18-02 for schools annual debt service payment \$174,735.	3,250,000			3,250,000
Installment purchase, 1 payments of \$3,500,000, on July 16, 2018 at 0% interest, issued 7/16/04 for Schools annual debt service payment \$208,825.	3,500,000			3,500,000
Installment purchase, Authorized 862,835, 30 annual payments of \$43,142 plus interest at an annual rate of 2.205% through Nov. 2025 issued 5-6-06 for water improvements.	547,402	18,105	28,275	537,232

CHEROKEE COUNTY, NC Notes to Basic Financial Statements

The following table summarizes the annual requirements to amortize the installment purchase debt outstanding at June 30, 2007

Installment purchase 81,617, 4 annual payments of \$22,816 including interest at an annual rate of 5.608% through August 2009 issued 12-29-05 for software.	81,617	20,172	61,445
Installment purchase \$172,300, 10 annual payments of \$21,317 including interest at an annual rate of 4.07% through April 2017. Issued 4-17-06 for Rescue Squad Vehicle.	172,300	14,305	157,995
Installment purchase \$450,000, 30 annual payments of \$30,000 plus interest at an annual rate of 4.03% through March 2021, issued 3-10-06 for schools.	450,000	30,000	420,000
Installment purchase \$2,249,500 30 semi annual payments of \$74,983, plus interest at an annual rate of 4.1% through July 2021, issued 7-21-06 Sheriff's Offices	2,249,500	74,983	2,174,517
Installment purchase \$7,000,000, 30 semi annual payments of \$233,333, plus interest at an annual rate of 3.49% through March 2021, issued 3-30-06 for Detention Center	7,000,000	466,667	6,533,333
	\$25,161,113	\$2,822,605	\$2,851,171
		\$25,132,547	

**Current Maturities on
Outstanding Debt**

YR.	Principal	Interest	Total
06/30/08	\$ 2,612,377	\$ 659,518	\$ 3,271,895
06/30/09	2,340,285	574,707	2,914,992
06/30/10	2,265,998	485,738	2,751,736
06/30/11	2,139,384	368,699	2,508,083
06/30/12	1,573,691	320,465	1,894,156
June 2013-2017	7,698,212	986,998	8,685,210
June 2018-2022	6,361,223	258,779	6,620,002
June 2022-2027	141,377	7,793	149,170
Total	\$ 25,132,547	\$ 3,662,697	\$ 28,795,244

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2007, consists of the following:

CHEROKEE COUNTY, NC Notes to Basic Financial Statements

From the General fund to the Airport improvement Fund to accumulate resources for the construction of airport improvements	\$16,666
From the General Fund to the Debt Service fund to accumulate funds to retire QZAB debt	383,561
From the General Fund to the Revaluation Fund	86,450
Total	\$486,677

Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2007 is as follows:

Receivable Entity	Payable Entity	Due From	Due to
General Fund		\$ 867,016	\$
	Pool & Wellness Center		850,701
	Detention Center Capital Project	-	16,315
	Total	\$ 867,016	\$ 867,016

The general fund advanced the Pool & Wellness Fund and the Detention Fund money during construction. The advances were subsequently repaid with proceeds from a long term financing.

IV. Related Organization

V. Joint Ventures

1. Nantahala Regional Library - The County participates in a joint venture to operate the Nantahala Regional Library with two other local governments. The County appoints three members to the board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating government's continued funding. None of the participating governments has any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2007. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$160,000 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's office at 101 Blumenthal Street, Murphy, NC, 28906.

2. Smoky Mountain Center for Mental Health Developmental Disability and Substance Abuse Service - The County participates in a joint venture to operate the Smoky Mountain Center for Mental Health Developmental Disability and Substance Abuse Services with six other local governments. The

County appoints one member to the board of the Center. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating government's continued funding. None of the participating governments has any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2007. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$65,000 to the Center to supplement its activities. Complete financial statements for the Center can be obtained from the Center's offices at P. O. Box 280, Dillsboro, NC, 28725.

VI. Jointly Governed Organization

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 \$17,225 to the Council during the fiscal year ended June 30, 2007. The County was the sub recipient of a grant for \$280,291 from the Division of Aging of the North Carolina Department of Human Resources, which was passed through the Commission.

The County, in conjunction with five other counties, established the Nantahala Aids Consortium, Inc. The participating governments established and incorporated the Consortium to arrange and provide out-patient health and support services to people living with HIV and their families. Each participating government's health director is also a director for the Consortium.

VII. 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.

	<u>Federal</u>	<u>State</u>
Temporary Assistance for Needy Families	\$ 46,663	\$ -
Medicaid	21,825,921	10,841,081
WIC	549,275	
Food Stamp Program	1,969,283	-
Payments to Elderly and Disabled	-	214,569
Adoption Assistance	87,829	25,576
Energy Assistance	122,941	-
Total	<u>\$ 24,601,912</u>	<u>\$ 11,081,226</u>

VIII. 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.

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Required Supplemental Financial Data

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

Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance, and Notes to the Required Schedules
for the Law Enforcement Officers' Special Separation Allowance

Cherokee County, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b - a)/c)
12/31/2001	\$ -	\$ 57,170	57,170	0.00%	\$ 521,685	10.96%
12/31/2002	\$ -	\$ 41,301	41,301	0.00%	\$ 550,543	7.50%
12/31/2003	\$ -	\$ 38,894	38,894	0.00%	\$ 569,554	6.83%
12/31/2004	\$ -	\$ 47,780	47,780	0.00%	\$ 672,611	7.10%
12/31/2005	\$ -	\$ 58,320	58,320	0.00%	\$ 772,323	7.55%
12/31/2006	\$ -	\$ 77,485	77,485	0.00%	\$ 804,843	9.63%

Notes to the Required Schedules:

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

Valuation date	12/31/2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	24 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5% to 12.3%
*Includes inflation at	3.75%
Cost-of living adjustments	N/A

General Fund

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

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 13,303,993	\$
Penalties and interest		213,199	
Total	<u>13,504,265</u>	<u>13,517,192</u>	<u>12,927</u>
Local option sales taxes:			
Article 39 one percent		3,252,048	
Article 40 one - half of one percent		1,424,287	
Article 42 one - half of one percent		1,409,600	
Article 44 one - half of one percent		1,355,679	
Total	<u>7,413,279</u>	<u>7,441,614</u>	<u>28,335</u>
Other taxes and licenses:			
Deed stamp excise tax		496,133	
Car Rental Tax		4,099	
Occupancy Tax		144,366	
Franchise Tax		9,436	
State and Fedral Drug Tax		674,153	
Civil licenses		2,394	
Total	<u>942,526</u>	<u>1,330,581</u>	<u>388,055</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes-outside sources		1,036,920	
Fuel tax reimbursements		193	
Total	<u>1,033,200</u>	<u>1,037,113</u>	<u>3,913</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Restricted intergovernmental:			
Victims Advocate Grant	\$	\$	\$
Social Services		2,067,766	
Senior Center		393,384	
Criminal Justice Grant		42,841	
Other Grants		369,556	
US Forest Serv. Timber Receipts		77,225	
Health Dept. Medicaid		150,826	
Health Dept. state revenues		520,547	
Health Dept. grants		68,748	
White goods tax grant		21,170	
Tire Disposal tax grant		35,513	
Juvenile Crime Prevention		103,538	
Public School Build. Capital Fund		380,000	
Court facility fees		61,337	
Asset Forfeitures		9,252	
ABC bottles taxes		13,233	
Total	<u>4,233,342</u>	<u>4,314,936</u>	<u>81,594</u>
Permits and fees:			
Building permits & inspections		441,006	
Landfill user fees		747,172	
Register of deeds		303,758	
Fire inspections		3,305	
Fire arms permits		11,835	
Water & Septic permits		-	
Total	<u>1,547,553</u>	<u>1,507,076</u>	<u>(40,477)</u>
Sales and services:			
Rents		42,360	
Landfill tipping fees		401,974	

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Sales and Services continued:			
Health Dept. Fees	\$	\$ 968,903	\$
Transportation fees		194,272	
Election fees		-	
Sheriff & Jail fees		175,642	
Ambulance fees		564,878	
Other sales		73,694	
Personnel Fees		83,713	
Vehicle tax collection fees		1,657	
Total	<u>2,362,460</u>	<u>2,507,093</u>	<u>144,633</u>
Investment earnings	<u>420,400</u>	<u>440,653</u>	<u>20,253</u>
Miscellaneous:			
ABC Store distributions	-	39,571	
Other	-	313,782	
Total	<u>216,942</u>	<u>353,353</u>	<u>136,411</u>
Total revenues	<u>31,673,967</u>	<u>32,449,611</u>	<u>775,644</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		74,792	
Other operating expenditures		68,362	
Total	<u>145,471</u>	<u>143,154</u>	<u>2,317</u>
Administration:			
Salaries and employee benefits		144,972	
Other operating expenditures		23,833	
Capital Outlay		-	
Total	<u>169,306</u>	<u>168,805</u>	<u>501</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
General government, Continued:			
Information Technology			
Salaries and employee benefits	\$	\$ 92,240	\$
Other operating expenditures		85,794	
Capital outlay		-	
Total	<u>195,283</u>	<u>178,034</u>	<u>17,249</u>
Finance:			
Salaries and employee benefits		162,666	
Other operating expenditures		75,099	
Capital outlay		-	
Total	<u>243,345</u>	<u>237,765</u>	<u>5,580</u>
Tax Assessor:			
Salaries and employee benefits		303,660	
Other operating expenditures		97,127	
Capital outlay		12,873	
Total	<u>403,199</u>	<u>413,660</u>	<u>(10,461)</u>
Land Records:			
Salaries and employees benefits		128,052	
Operating expenditures		24,069	
Capital outlay		-	
Total	<u>162,071</u>	<u>152,121</u>	<u>9,950</u>
Tax Collector:			
Salaries and employee benefits		164,191	
Operating expenditures		59,027	
Capital outlay		-	
Total	<u>225,715</u>	<u>223,218</u>	<u>2,497</u>
Court Facilities:			
Operating expenditures		43,581	
Capital outlay		26,986	
Total	<u>70,189</u>	<u>70,567</u>	<u>(378)</u>
Board of Elections			
Salaries and employee benefits		144,377	
Other operating expenditures		36,755	
Capital outlay		-	
Total	<u>201,660</u>	<u>181,132</u>	<u>20,528</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
General government, Continued:			
Register of deeds:			
Salaries and employee benefits	\$	\$ 168,374	\$
Other operating expenditures		320,042	
Capital outlay		5,976	
Total	<u>516,696</u>	<u>494,392</u>	<u>22,304</u>
Public buildings/maintenance:			
Salaries and employee benefits		140,014	
Operating expenditures		181,315	
Capital outlay		14,738	
Total	<u>365,312</u>	<u>336,067</u>	<u>29,245</u>
Central services:			
Salaries and employee benefits			
Operating expenditures		28,034	
Insurance and bonds		361,001	
Capital outlay		-	
Total	<u>390,422</u>	<u>389,035</u>	<u>1,387</u>
Special Appropriations:			
Region A		17,225	
Total	<u>17,225</u>	<u>17,225</u>	<u>-</u>
Total general government	<u>3,105,894</u>	<u>3,005,175</u>	<u>100,719</u>
Public Safety:			
Sheriff:			
Salaries and employee benefits		1,512,539	
Other operating expenditures		498,861	
Capital outlay		235,940	
Total	<u>2,414,212</u>	<u>2,247,340</u>	<u>166,872</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Public safety continued:			
Criminal Justice:			
Salaries and employee benefits	\$	\$ 19,696	\$
Other operating expenditures		24,843	
Capital outlay		-	
Total	53,489	44,539	8,950
Jail:			
Salaries and employee benefits		848,212	
Other operating expenditures		884,167	
Capital outlay		6,778	
Total	1,713,578	1,739,157	(25,579)
Emergency communications:			
Salaries and employee benefits		382,213	
Other operating expenditures		15,244	
Capital outlay		-	
Total	409,705	397,457	12,248
Emergency management:			
Salaries and employee benefits		86,446	
Other operating expenditures		27,294	
Capital outlay		-	
Total	124,842	113,740	11,102
Ambulance service:			
Salaries and employee benefits		1,346,061	
Other expenditures		368,860	
Capital outlay		102,038	
Total	1,817,799	1,816,959	840

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Public safety, Continued:			
Fire inspection:			
Salaries and employee benefits	\$	\$ 76,567	\$
Other operating expenditures		42,572	
Assistance to local fire departments		6,381	
Capital outlay		-	
Total	122,430	125,520	(3,090)
Building inspection:			
Salaries and employee benefits		306,637	
Other operating expenditures		38,438	
Capital outlay		28,988	
Total	453,003	374,063	78,940
Medical examiner:			
Other operating expenditures		8,900	
Total	24,000	8,900	15,100
Special appropriations:			
NC Forest Service-Fire protection	53,356	50,392	
Valley River Humane Society	59,600	59,608	
Valley River Rescue Squad	50,000	50,000	
Cherokee County Rescue Squad	50,000	50,000	
Total	212,956	210,000	2,956
Total public safety	7,346,014	7,077,675	268,339

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Transportation:			
Airport:			
Other operating expenditures	\$	\$ 75,479	\$
Capital outlay		26,838	
Total	106,250	102,317	3,933
Public Transportation			
Salaries and employee benefits		355,928	
Other operating expenditures		94,607	
Capital Outlay		32,446	
Total	524,268	482,981	41,287
Total Transportation	630,518	585,298	45,220
Economic and physical development:			
Economic Development:			
Salaries and employee benefits		34,579	
Other operating expenditures		2,155	
Grants		-	
Total	65,123	36,734	28,389
Cooperative Extension:			
Salaries and employee benefits		130,606	
Other operating expenditures		18,472	
Capital outlay			
Grants		8,099	
Total	148,153	157,177	(9,024)
Soil and water:			
Salaries and employee benefits		83,713	
Total	81,317	83,713	(2,396)
Tourism authorities:			
Cherokee County Board of Tourism	132,975	140,078	(7,103)

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Economic Development:			
Continued:			
Special appropriations:			
Town of Murphy-water and sewer	\$ 77,685	\$ 77,685	\$
Soil and water conservation district	80,000	80,000	
Hiawassee River Coalition	2,500	2,500	
Total	<u>160,185</u>	<u>160,185</u>	<u>-</u>
Total economic and physical development	<u>587,753</u>	<u>577,887</u>	<u>9,866</u>
Environmental protection:			
Solid waste:			
Salaries and employee benefits		695,065	
Operating expenditures		395,672	
Capital outlay		530,138	
Total environmental protection:	<u>1,683,477</u>	<u>1,620,875</u>	<u>62,602</u>
Human services:			
Health:			
Administration:			
Salaries and employee benefits		1,045,901	
Other operating expenditures		311,123	
Capital outlay		16,377	
Total	<u>1,457,935</u>	<u>1,373,401</u>	<u>84,534</u>
Health programs:			
Health promotion	1,572	-	
Bio Terrorism	47,155	4,930	
Immunization	900	258	
Communicable disease	3,780	3,205	
Adult health	24,406	11,693	

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Human Services, Health Programs			
Continued:			
Maternal health	\$ 42,398	\$ 25,403	\$
Breast and Cervical Cancer	9,931	11,295	
School Based Clinic	64,984	84,757	
School Nurse Initiative	104,570	100,000	
Family planning	72,571	38,104	
WIC	3,400	2,027	
Child Health	14,659	8,769	
Child Service Coordinator	1,000	455	
Health Check	2,038	640	
Environmental Health:			
Salaries and employee benefits		782,967	
Other operating expenditures		83,135	
Capital outlay		100,584	
Total Environmental Health	940,534	966,686	
Total Health Dept.	1,333,898	1,258,222	75,676
Mental Health:			
Smoky Mountain Center	65,000	65,000	-
Social services:			
Administration:			
Salaries and employee benefits		2,019,179	
Other operating expenditures		173,568	
Capital outlay		69,943	
Total	2,316,505	2,262,690	53,815
Social Service programs:	2,713,233	2,608,230	105,003
Total Social Services	5,029,738	4,870,920	158,818
Senior Center:			
Salaries and employee benefits		84,484	
Operating expenditures		135,862	
Capital outlay		-	
Total	224,532	220,346	4,186

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Human Services, Health Programs			
Continued:			
Special appropriations:			
Industrial Opportunities Inc.	\$ 113,612	\$ 113,612	\$
State of Franklin Health Council	14,000	14,000	
Haven Child Advocacy	119,218	117,628	
Juvenile Crime Prevention Programs	113,600	120,925	
Cherokee County Food Bank	3,400	3,400	
Total	<u>363,830</u>	<u>369,565</u>	<u>(5,735)</u>
Total Human Services	<u>8,474,933</u>	<u>8,157,454</u>	<u>317,479</u>
Cultural and recreational:			
Library operating expenditures	<u>160,000</u>	<u>160,000</u>	<u>-</u>
Parks and recreation:			
Salaries and employee benefits		207,318	
Operating expenditures		86,820	
Capital outlay		34,217	
Total	<u>367,162</u>	<u>328,355</u>	<u>38,807</u>
Museum:			
Salaries and employee benefits		31,318	
Total	<u>31,336</u>	<u>31,318</u>	<u>18</u>
Total cultural and recreational	<u>558,498</u>	<u>519,673</u>	<u>38,825</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Education:			
Public schools--current expense	\$	\$ 3,892,020	\$
Public schools capital outlay:			
County appropriations		1,048,305	
Community college--current		459,570	
Community college --capital outlay		-	
Total education	5,904,474	5,399,895	504,579
Debt service:			
Principal retirement		2,883,163	
Interest and fees		694,822	
Total debt service	3,579,727	3,577,985	1,742
Total expenditures	31,871,288	30,521,917	1,349,371
Revenues over (under) expenditures	(197,321)	1,927,694	2,125,015
Other financing sources (uses):			
Use of Fund Balance	213,998		
Transfer to Airport Improvement	(16,666)	(16,666)	-
Transfer Revaluation Fund	(86,450)	(86,450)	-
Transfer to Debt Service Fund	(383,561)	(383,561)	-
Transfer to Jail Capital Projects Fund	-		-
Transfer from Landfill Construction Fund	-		-
Transfer from Economic Dev Fund	-		-
Debt Issued	470,000	481,417	11,417
Total other financing sources(uses)	197,321	(5,260)	11,417
Increase (Decrease) in Fund Balance	\$ -	1,922,434	\$ 2,136,432
Fund balance:			
Beginning, July 1		7,550,988	
Ending June 30		\$ 9,473,422	

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.

Revaluation Fund – This fund accounts for the accumulation of resources to be used for the octennial revaluation of real property.

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

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

Victims Advocate Grant II Fund. – This fund accounts for a Multi year grant for an advocacy program for victims of crimes.

Cherokee County, North Carolina
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2007

	Special Revenue Funds						Total Nonmajor Special Revenue Funds	Capital Projects Funds		
	Emergency Telephone System Fund	Fire District Fund	Revalu - ation Fund	Debt Service Fund	Victim Advocate Grant II	Bear Paw Service District		Airport Improvements	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets										
Cash and cash equivalents	\$ 307,186	\$ 16,265	\$ 165,416	\$ 1,055	\$ -	\$ 713	490,635	\$ 97,740	97,740	\$ 588,375
Investments	-	-	-	1,188,259	-	-	1,188,259	-	-	1,188,259
Taxes receivable (net)	-	84,028	-	-	-	8,612	92,640	-	-	92,640
Accounts Receivable	-	-	-	-	-	-	-	-	-	-
Due from other Governments	-	-	-	-	-	-	-	-	-	-
Deposits and Prepaids	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 307,186</u>	<u>\$ 100,293</u>	<u>\$ 165,416</u>	<u>\$ 1,189,314</u>	<u>\$ -</u>	<u>\$ 9,325</u>	<u>\$ 1,771,534</u>	<u>\$ 97,740</u>	<u>\$ 97,740</u>	<u>\$ 1,869,274</u>
Liabilities and Fund Balances										
Liabilities:										
Accounts payable and accrued liabilities	\$ 52,247	\$ 16,265	\$ -	\$ -	\$ -	\$ 713	\$ 69,225	\$ 5,769	\$ 5,769	\$ 74,994
Due to other funds	-	-	-	-	-	-	-	-	-	-
Deferred revenue-Taxes	-	84,028	-	-	-	8,612	92,640	-	-	92,640
Unearned Revenues	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>52,247</u>	<u>100,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,325</u>	<u>161,865</u>	<u>5,769</u>	<u>5,769</u>	<u>167,634</u>
Fund balances:										
Reserved for encumbrances	18,601	-	-	-	-	-	18,601	-	-	18,601
Reserved by state statute	-	-	-	-	-	-	-	-	-	-
Reserved for subsequent year expenditures	-	-	-	-	-	-	-	91,971	91,971	91,971
Unreserved, undesignated	<u>236,338</u>	<u>-</u>	<u>165,416</u>	<u>1,189,314</u>	<u>-</u>	<u>-</u>	<u>1,591,068</u>	<u>-</u>	<u>-</u>	<u>1,591,068</u>
Total fund balances	<u>254,939</u>	<u>-</u>	<u>165,416</u>	<u>1,189,314</u>	<u>-</u>	<u>-</u>	<u>1,609,669</u>	<u>91,971</u>	<u>91,971</u>	<u>1,701,640</u>
Total liabilities and fund balances	<u>\$ 307,186</u>	<u>\$ 100,293</u>	<u>\$ 165,416</u>	<u>\$ 1,189,314</u>	<u>\$ -</u>	<u>\$ 9,325</u>	<u>\$ 1,771,534</u>	<u>\$ 97,740</u>	<u>\$ 97,740</u>	<u>\$ 1,869,274</u>

Cherokee County, North Carolina
 Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Fiscal Year Ended June 30, 2007

							Capital Projects Funds			
	Emergency Telephone System Fund	Fire District Fund	Revalu - ation Fund	Debt Service Fund	Victim Advocate Grants II	Bear Paw Service District	Total Nonmajor Governmental Funds	Airport Improvements	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:										
Ad valorem taxes	\$ -	\$ 1,007,897	\$ -		\$ -	\$ 251,263	\$ 1,259,160	\$ -	\$ -	\$ 1,259,160
Other taxes and licenses	272,718	-	-		-	-	272,718	-	-	272,718
Restricted intergovernmental Grants	111,963	-	-		-	-	111,963	1,421,282	1,421,282	1,533,245
Restricted other	-	-	-		37,247	-	37,247	-	-	37,247
Investment earnings	9,863	-	6,486	34,143	-	-	50,492	-	-	50,492
Total revenues	394,544	1,007,897	6,486	34,143	37,247	251,263	1,731,580	1,421,282	1,421,282	3,152,862
Expenditures:										
Current:										
General government	-	-	76,104	-	-	251,263	327,367	-	-	327,367
Public safety	333,223	1,007,897	-	-	38,713	-	1,379,833	-	-	1,379,833
Economic Development	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	1,600,794	1,600,794	1,600,794
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Total expenditures	333,223	1,007,897	76,104	-	38,713	251,263	1,707,200	1,600,794	1,600,794	3,307,994
Revenues over (under) expenditures	61,321	-	(69,618)	34,143	(1,466)	-	24,380	(179,512)	(179,512)	(155,132)
Other financing sources:										
Installment Purchase Obligations	73,583	-	-	-	-	-	73,583	-	-	73,583
Operating transfers in:										
Victim Advocate	-	-	86,450	383,561	-	-	-	-	-	-
General Fund	-	-	-	-	-	-	470,011	16,666	16,666	486,677
Operating transfers out:										
Victim Advocate	-	-	-	-	-	-	-	-	-	-
General Fund	73,583	-	86,450	383,561	-	-	543,594	16,666	16,666	560,260
Increase (Decrease) in Fund Balance	134,904	-	16,832	417,704	(1,466)	-	567,974	(162,846)	(162,846)	405,128
Fund balances:										
Beginning of year, July 1	120,035	-	148,584	771,610	1,466	-	1,041,695	254,817	254,817	1,296,512
End of year, June 30	\$ 254,939	\$ -	\$ 165,416	\$ 1,189,314	\$ (0)	\$ -	\$ 1,609,669	\$ 91,971	\$ 91,971	\$ 1,701,640

Cherokee County, North Carolina
Emergency Telephone System Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	2007		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues:			
Other taxes and licenses	\$ 272,315	\$ 272,718	\$ 403
Restricted Intergovernmental	\$ 91,965	\$ 111,963	\$ 19,998
Insurance Proceeds	18,665	-	(18,665)
Investment Earnings	-	9,863	9,863
	<u>382,945</u>	<u>394,544</u>	<u>11,599</u>
Expenditures			
Public Safety:			
Salaries and Employee benefits		137,673	
Operating Expenditures		173,315	
Capital Outlay		22,235	
Public Safety	<u>476,583</u>	<u>333,223</u>	<u>143,360</u>
Total	<u>476,583</u>	<u>333,223</u>	<u>143,360</u>
Revenues over (under) expenditures	(93,638)	61,321	154,959
Other financing uses:			
Operating transfers to			
Lease I General Fund	73,583	73,583	-
Appropriated fund balance	<u>20,055</u>	<u>-</u>	<u>(20,055)</u>
	93,638	73,583	<u>(20,055)</u>
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>134,904</u>	<u>\$ 134,904</u>
Fund balances:			
Beginning of year, July 1		<u>120,035</u>	
End of year, June 30		<u>\$ 254,939</u>	

Cherokee County, North Carolina
Fire District Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	2007		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues:			
Ad valorem taxes:	\$ 905,000	\$ 1,007,896	\$ 102,896
Expenditures:			
Public safety:			
Bellview Fire District		80,490	
Brasstown Fire District		10,875	
Hanging Dog Fire District		40,755	
Hiwassee Fire District		137,272	
Wolf Creek Fire District		48,679	
Martins Creek Fire District		64,543	
Peachtree Fire District		158,600	
Murphy Rual Fire District		188,543	
Ranger Fire District		107,505	
ValleyTown Fire District		170,634	
Total expenditures	905,000	1,007,896	(102,896)
Increase (Decrease) in Fund Balance	\$ -	-	\$ -
Fund balances:			
Beginning of year, July 1		-	
End of year, June 30		\$ -	

Cherokee County, North Carolina
Revaluation Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	2007		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues:			
Investment earnings	\$ 2,000	\$ 6,486	\$ 4,486
Expenditures:			
Current:			
General government:			
Salaries and Employee benefits	20,000	16,736	
Other Operating Expenditures	105,811	29,368	
Capital Outlay	34,000	30,000	
Total	<u>159,811</u>	<u>76,104</u>	<u>83,707</u>
Revenues over (under) expenditures	<u>(157,811)</u>	<u>(69,618)</u>	<u>88,193</u>
Deficiency of Revenues under Expenditures - Use of Fund Balance	<u>71,361</u>	<u>-</u>	<u>(71,361)</u>
Contribution from General Fund	<u>86,450</u>	<u>86,450</u>	<u>-</u>
Increase (Decrease) in Fund Balance	<u>-</u>	<u>16,832</u>	<u>16,832</u>
Fund balances:			
Beginning of year, July 1		<u>148,584</u>	
End of year, June 30		<u>\$ 165,416</u>	

Cherokee County, North Carolina
Debt Service Fund
Statement of Revenues, Expenditures, and
For the Fiscal Year Ended June 30, 2007

	2007		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues			
Investment Earnings	\$ 15,000	\$ 34,143	\$ 19,143
Other financing sources (uses):			
Operating transfers in:			
General Fund - Debt Service	383,561	383,561	-
Total other financing sources (uses)	<u>383,561</u>	<u>383,561</u>	<u>-</u>
Increase in			
Fund Balance	<u>\$ 398,561</u>	<u>\$ 417,704</u>	<u>\$ 19,143</u>
Fund balance:			
Beginning of year, July 1		771,610	
End of Year, June 30		<u>\$ 1,189,314</u>	

Cherokee County, North Carolina
Victim Advocate Grant II
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

	Project Author- ization	Actual			Variance Favorable (Unfavorable)
		Prior Year	Current Year	Total to Date	
Revenues					
Grants	\$ 66,455	\$ 27,742	\$ 37,247	\$ 64,989	\$ (1,466)
	<u>\$ 66,455</u>	<u>\$ 27,742</u>	<u>\$ 37,247</u>	<u>\$ 64,989</u>	<u>\$ (1,466)</u>
Expenditures					
Wages & Benefits	57,748	26,877	30,101	56,978	770
Operating Expenses	8,707	865	8,612	9,477	(770)
Capital Outlay	-	-	-	-	-
	<u>66,455</u>	<u>27,742</u>	<u>38,713</u>	<u>66,455</u>	<u>-</u>
Revenues (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(1,466)</u>	<u>(1,466)</u>	<u>(1,466)</u>
Other financing uses:					
Operating transfers from from Victims Advocate I		1,466	-	1,466	-
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>\$ 1,466</u>	<u>\$ (1,466)</u>	<u>\$ -</u>	<u>\$ (1,466)</u>
Fund balance:					
Beginning of year, July 1			<u>1,466</u>		
End of Year, June 30			<u>\$ -</u>		

Cherokee County, North Carolina
Bear Paw Service District
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	2007		
	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes:	\$ 240,900	\$ 251,263	\$ 10,363
Expenditures:			
Bear Paw Service District	240,900	251,263	(10,363)
Increase (Decrease) in Fund Balance	\$ -	-	\$ -
Fund balances:			
Beginning of year, July 1		-	
End of year, June 30		\$ -	

Capital Projects Funds

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

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

Wellness Center – This fund is used to account for the construction of the new Wellness Center.

Detention Center – This fund accounts for the construction cost for the new County detention center

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, 2007

	Project Author- ization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental:					
Grants	\$ 3,871,900	\$ 1,400,616	\$ 1,421,282	\$ 2,821,898	\$ (1,050,002)
Total revenues	<u>3,871,900</u>	<u>1,400,616</u>	<u>1,421,282</u>	<u>2,821,898</u>	<u>(1,050,002)</u>
Expenditures					
Capital outlay:					
Runway Widening	3,135,445	1,564,070	1,579,263	3,143,333	(7,888)
Land Acquisition	944,444	2,000	1,420	3,420	941,024
Other	222,222	-	20,111	20,111	202,111
Total expenditures	<u>4,302,111</u>	<u>1,566,070</u>	<u>1,600,794</u>	<u>3,166,864</u>	<u>1,135,247</u>
Revenues over (under) expenditures	<u>(430,211)</u>	<u>(165,454)</u>	<u>(179,512)</u>	<u>(344,966)</u>	<u>85,245</u>
Other financing sources:					
Operating transfers from General Fund	<u>430,211</u>	<u>420,270</u>	<u>\$ 16,666</u>	<u>436,936</u>	<u>6,725</u>
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>254,816</u>	<u>(162,846)</u>	<u>\$ 91,970</u>	<u>\$ 91,970</u>
Fund balances:					
Beginning of year, July 1			<u>254,816</u>		
End of year, June 30			<u>\$ 91,970</u>		

Cherokee County, North Carolina
Detention Center Construction
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

	Project Author- ization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
Investment earnings	\$ 527,800	\$ 74,302	\$ 386,527	\$ 460,829	\$ (66,971)
Total revenues	527,800	74,302	386,527	460,829	(66,971)
Expenditures					
Capital outlay:					
Administration	33,000	13,977	31,835	45,812	(12,812)
Land	618,292	618,292	-	618,292	-
Site preparation	462,544	462,545	-	462,545	(1)
Professional Services	662,500	587,633	106,416	694,049	(31,549)
Detention Center Construction	9,950,844	83,107	3,815,700	3,898,807	6,052,037
Sheriff's Offices Construction	-	0	-	-	-
Contingency	10,000	-	8,320	8,320	1,680
Total expenditures	11,737,180	1,765,554	3,962,271	5,727,825	6,009,355
Revenues over (under) expenditures	(11,209,380)	(1,691,252)	(3,575,744)	(5,266,996)	5,942,384
Other financing sources:					
Operating transfers from					
General Fund	1,959,988	1,817,834	-	1,817,834	(142,154)
Loan Proceeds	9,249,392	7,000,000	2,249,500	9,249,500	108
Total Other Financing sources	11,209,380	8,817,834	2,249,500	11,067,334	(142,046)
Increase (Decrease) in Fund Balance	\$ -	\$ 7,126,582	(1,326,244)	\$ 5,800,338	\$ 5,800,338
Fund balances:					
Beginning of year, July 1			7,126,582		
End of year, June 30			\$ 5,800,338		

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**Cherokee County, North Carolina
Wellness Center
Statement of Revenues, Expenditures
Budget and Actual
For the Year Ended June 30, 2007**

	Final Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Membership & Fees	\$ 50,000	\$ 25,451	
Total operating revenues	50,000	25,451	(24,549)
OPERATING EXPENSES			
Salaries & Employee Benefits		18,802	
Supplies		1,218	
Travel		732	
Utilities		2,908	
Other		2,653	
Advertising		63	
Total operating expenses	50,000	26,376	23,624
Revenues Under Expenditures	-	(925)	(925)
Reconciliation from Budgetary Basis (modified accrual to full accrual			
Capital contributions		999,058	
Loss from fire		(3,091)	
Depreciation		(8,258)	
Change in net assets		986,784	
Total net assets, beginning		1,436,222	
Total net assets, ending		\$ 2,423,006	

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

Cherokee County, North Carolina
Wellness Center-Capital Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2007

	Project Author- ization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
Public Contributions	\$ 2,165,619	\$ 1,427,547	\$ 583,762	\$ 2,011,309	(154,310)
Grants	250,000	-	\$ 250,000	250,000	-
Insurance Proceeds	105,092		\$ 102,001	102,001	(3,091)
Investment Earnings	70,000	\$ 64,609	\$ 58,159	122,768	52,768
Total	<u>\$ 2,590,711</u>	<u>\$ 1,492,156</u>	<u>\$ 993,922</u>	<u>\$ 2,486,078</u>	<u>\$ (104,633)</u>
Expenditures					
Capital outlay:					
Architect and Engineering	\$ 148,100	\$ 120,483	\$ 36,927	\$ 157,410	\$ (9,310)
Administration	6,586			-	6,586
Site Preparation	-	150	-	150	(150)
Construction	3,051,092	-	3,016,170	3,016,170	34,922
Air Dome	245,600	-	-	-	245,600
Equipment	46,000	-	11,595	11,595	34,405
Contingency	37,400	39	-	39	37,361
Total	<u>3,534,778</u>	<u>120,672</u>	<u>3,064,692</u>	<u>3,185,364</u>	<u>\$ 349,414</u>
Revenues under expenditures	<u>(944,067)</u>	<u>1,371,484</u>	<u>(2,070,770)</u>	<u>(699,286)</u>	<u>244,781</u>
Other financing sources(uses):					
Transfer to General Fund	(55,933)	(55,933)	-	(55,933)	-
Proceeds from installment Financing Agreement	1,000,000		-	-	(1,000,000)
	<u>944,067</u>	<u>(55,933)</u>	<u>-</u>	<u>(55,933)</u>	<u>(1,000,000)</u>
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>\$ 1,371,484</u>	<u>\$ (2,070,770)</u>	<u>\$ (755,219)</u>	<u>\$ (755,219)</u>
Fund balances:					
Beginning of year, July 1			<u>\$ 1,315,551</u>		
End of year, June 30			<u>\$ (755,219)</u>		

Trust and Agency Funds

Trust Funds are used to account for assets held by the county in a Trustee capacity. Agency Funds are used to account for assets held by the county as an agent for individual and/or other governments.

Trust Funds

Sheriff's Fund – This fund accounts for moneys held by the Sheriff for the benefit of inmates while they are incarcerated and for funds held for the Clerk of the court.

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

Agency Funds

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

Motor Vehicle Tax Fund – This fund accounts for the proceeds of the motor vehicle taxes that are collected by the County on behalf of the municipalities within the County.

Cherokee County, North Carolina
 Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 For the Fiscal Year Ended June 30, 2007

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
Social Services				
Assets:				
Cash and cash equivalents	\$ 68,670	\$ 362,231	\$ 375,966	\$ 54,935
Liabilities:				
Miscellaneous liabilities	\$ 68,670	\$ 362,231	\$ 375,966	\$ 54,935
Sheriff's Fund				
Assets:				
Cash and cash equivalents	\$ 38,420	\$ 303,612	\$ 313,780	\$ 28,252
Liabilities:				
Miscellaneous liabilities	\$ 38,420	\$ 303,612	\$ 313,780	\$ 28,252
Fines and Forfeitures				
Assets:				
Cash and cash equivalents	\$ -	\$ 216,773	\$ 216,773	\$ -
Liabilities:				
Intergovernmental payable- Cherokee Co BD of Ed.	\$ -	\$ 216,773	\$ 216,773	\$ -
Motor Vehicle Tax				
Assets:				
Cash and cash equivalents	\$ 9,226	\$ 118,731	\$ 121,347	\$ 6,610
Liabilities:				
Intergovernmental payable	\$ 8,732	\$ 107,996	\$ 111,099	\$ 5,629
Intergovernmental payable- State of NC	494	10,735	10,248	981
Total	\$ 9,226	\$ 118,731	\$ 121,347	\$ 6,610
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 116,316	\$ 1,001,347	\$ 1,027,866	\$ 89,797
Liabilities:				
Miscellaneous liabilities	\$ 107,090	\$ 665,843	\$ 689,746	\$ 83,187
Intergovernmental payable	9,226	335,504	338,120	6,610
Total liabilities	\$ 116,316	\$ 1,001,347	\$ 1,027,866	\$ 89,797

Other Schedules

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

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Schedules of Transfers

Cherokee County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2007

Exhibit G - 1

Fiscal Year	Uncollected Balance June 30, 2006	Additions	Collections And Credits	Uncollected Balance June 30, 2007
2006 - 2007	\$	\$ 13,094,531	\$ 12,505,091	\$ 589,440
2005 - 2006	700,038		547,960	152,078
2004 - 2005	246,298		162,388	83,910
2003 - 2004	125,791		59,870	65,921
2002 - 2003	89,667		26,530	63,137
2001 - 2002	67,219		17,060	50,159
2000 - 2001	59,258		10,885	48,373
1999 - 2000	18,293		5,984	12,309
1998 - 1999	10,161		3,028	7,133
1997 - 1998	8,401		2,410	5,991
1996 - 1997	9,174		9,174	
	<u>\$ 1,334,300</u>	<u>\$ 13,094,531</u>	<u>\$ 13,350,380</u>	<u>1,078,451</u>

Less: allowance for uncollectible accounts:

General Fund (229,541)

Ad valorem taxes receivable - net:

General Fund \$ 848,910

Reconciliation with revenues:

Ad valorem taxes - General Fund \$ 13,517,192

Reconciling items:

Interest collected (213,455)

Prior year Tax releases 38,016

Taxes written off 8,627

Total reconciling items (166,812)

Total collections and credits \$ 13,350,380

Cherokee County, North Carolina
Analysis of Current Tax Levy
County - wide Levy
For the Fiscal Year Ended June 30, 2007

Exhibit G - 2

	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	\$ 2,440,389,808	\$ 0.52	\$ 12,690,027	\$ 11,507,973	\$ 1,182,054
Motor vehicles taxed at prior year's rate	17,973,077	0.52	93,460	-	93,460
Penalties	-		15,137	15,137	0
Total	<u>2,458,362,885</u>		<u>12,798,624</u>	<u>11,523,110</u>	<u>1,275,514</u>
Discoveries:					
Current year taxes	75,151,731	0.52	390,789	390,789	-
Abatements	<u>(18,246,538)</u>	0.52	<u>(94,882)</u>	<u>(54,495)</u>	<u>(40,387)</u>
Total property valuation	<u>\$ 2,515,268,078</u>				
Net levy			13,094,531	11,859,404	1,235,127
Uncollected Taxes at June 30, 2007			<u>589,440</u>	<u>374,086</u>	<u>215,354</u>
Current year's taxes collected			<u>\$ 12,505,091</u>	<u>\$ 11,485,318</u>	<u>\$ 1,019,773</u>
Current levy collection percentage			<u>95.50%</u>	<u>96.85%</u>	<u>82.56%</u>

Cherokee County, North Carolina
 Schedule of Transfers
 For the Fiscal Year Ended June 30, 2007

	Transfers	
	From	To
Operating Transfers From/To Other Funds		
General Fund:		
Airport Improvement Fund		16,666
Debt Service Fund		383,561
Revaluation Fund		86,450
Capital Projects Fund:		
Airport Improvement Fund		
General	16,666	
Debt Service Fund		
General	383,561	
Revaluation Fund		
General	86,450	
	\$ 486,677	\$ 486,677